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# China

JPRS-CAR-88-033

## CONTENTS

23 JUNE 1988

### INTERNATIONAL

#### SOVIET UNION

Soviet Scholar Dasichev Discusses 'New Thinking' in Foreign Affairs ..... 1

#### NORTHEAST ASIA

Huan Xiang on Strengthening Relations With Japan ..... 2

### POLITICAL

Yu Guangyuan on Restudying Socialism ..... 4  
Conversation With Yan Jiaqi on Political Reform ..... 16  
State Organ Structural Reform Goals ..... 18  
Qian Jiaju Discusses Utilization of Intellectuals ..... 19

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

Tian Yuan on Reform of Country's Property Rights System ..... 22  
Xue Muqiao Discusses Planned, Market Economies ..... 24  
Contracts for First Quarter Not Fulfilled ..... 31

#### MINERAL RESOURCES

Large Rare Earth Deposit Found in Guangxi ..... 33

#### SMALL-SCALE ENTERPRISES

Development of Rural Private Enterprises ..... 33

#### FOREIGN TRADE, INVESTMENT

Article Urges Strengthening Shanghai-Hong Kong Economic Cooperation ..... 38  
Overcoming Barriers to Textile Trade ..... 40

#### AGRICULTURE

Farm Machinery Market Trends ..... 41  
Heilongjiang Beet Area ..... 44  
Cotton Area Increases ..... 44  
Hunan Cotton Tasks ..... 44

### SOCIAL

Scholars From Mainland, Taiwan Hold Seminar in Beijing ..... 45

### REGIONAL

#### SOUTHWEST REGION

Work Report of Xizang People's Higher Court ..... 47  
Xizang Procuratorial Work Report ..... 50

**NORTH REGION**

Beijing's Two Female Deputy Mayors Profiled ..... 53

**NORTHEAST REGION**

Guo Dawei Reports on Liaoning Public Security Work ..... 56  
Liaoning Provincial Government Appointments ..... 57  
Difficulties of Rural Cadres ..... 57

## SOVIET UNION

**Soviet Scholar Dasichev Discusses 'New Thinking' in Foreign Affairs**  
40050238a Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese  
14 Mar 88 p 13

[By correspondent Li Lun [2621 0243]]

[Text] With the "new thinking in foreign affairs," proclaimed by Gorbachev, what will relations be like between the Soviet Union and the East European countries? Several new ideas were put forward during a recent discussion by Vyacheslav Dasichev, head of the Foreign Relations of Socialist Countries Department, Institute of Economics of the World Socialist System of the USSR Academy of Sciences.

### Stalinism, a Phenomenon To Be Reevaluated

Dashichev first of all put forward the idea that the reevaluation of history, now being undertaken in the Soviet Union, also involves relations with the other East European countries. The Soviet Union is now considering Stalinism as a phenomenon that should be reevaluated. The system set up in the Stalinist era is incompatible with democracy, and also incompatible with openness and the new economic system.

As to foreign policy, the Soviet Union has already discovered that it has committed errors in many issues. For instance, the expulsion of Yugoslavia from the Cominform in 1948 may be called a typical example of hegemonism.

He pointed out that during the era of stagnation (the Brezhnev era), Brezhnev in many ways followed Stalin's foreign policy ideas, and that the Soviet Union cannot possibly now do the same.

The "Brezhnev doctrine" was one of interference by force in the internal affairs of other countries.

Dashichev believes that it is true to the reality of the situation to speak of the so-called "Brezhnev doctrine" as one of interference by force in the internal affairs of socialist countries. The Soviet Union is now in the process of reevaluating Brezhnev. The relationship between the Soviet Union and the socialist countries is about to be moved from one of twists and turns, and accumulations (of negative phenomena) to one of normalcy. Proceeding further on this path will result in converting the mentioned relationship to one of true equality based on the principles of socialism, that is, based on complete equality, mutual respect of sovereignty, and on noninterference in internal affairs; it will also allow every country to bear its own responsibility for its future. This point was already approved at the meeting of leaders of the socialist countries last November. At that meeting, Gorbachev appealed for liberation from

the heavy burden of the mutual relationships of the past, for improvement in political and economic relations, and for the promotion of a mechanism of mutual economic relations among socialist countries that would be based on equality.

The Soviet Union's present understanding of "unity" is: Increasing coordination in accordance with the particular interests of every country involved.

Dashichev furthermore explained the complete equality in this type of relationship with specific examples. At a recent CEMA conference, when a decision was passed for a transitional system of "mutual final accounting" on the basis of each country's currency, the GDR decided not to participate in the system. They had complete power to do so, and not one country objected. In many aspects of reform, the GDR did not adopt Soviet methods; these are further instances where they acted within the scope of their own sovereignty. They acted out of consideration for conditions within their own country, and the Soviet Union cannot forcibly push its reform ideas on any other country. Stalin once understood "unity" as having every other country obey his wishes, and he regarded those who did not obey as rebels and as running dogs of imperialism. The present Soviet understanding of "unity" is to comply with the interests of the various countries and to enhance coordination.

On the subject of whether the GDR could withdraw from CEMA and from the Warsaw Pact, Dashichev said that this is of course permissible according to the new principles, but the GDR has never done this, and there is also no need for such action. Although Romania adopted divergent methods in many instances of domestic and foreign policies, it has still remained member in both these organizations. This situation indicates that socialism can be interpreted in different ways, which was also Lenin's idea, and this is now also generally acknowledged in the Soviet Union. Stalin once believed that all socialist countries should uniformly obey one center, a view that brought about many problems in Soviet relations with Yugoslavia, Albania, China, Romania, Hungary, and Poland.

Dashichev finally pointed out that all these new principles have emerged from the history of mutual relations between socialist countries, and that Gorbachev himself played an important role in this connection. Since the CPSU Central Committee Plenum in April 1984, the Soviet Union began to pursue a sound process, not only in domestic affairs but also in its foreign relations. The Hungarian incident and the events in Poland made it clear that following the Soviet model will be harmful. Today, it is not the time—neither in theory nor in practice—to pursue a policy of hegemonism, which anyhow is bound to be abandoned sooner or later.

## NORTHEAST ASIA

### Huan Xiang on Strengthening Relations With Japan

40050234 Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese  
2 May 88 p 2

[by Beijing correspondent Yu Mingshan [0060 2494 1472], edited by Lu Yi [7120 0001]: "News From the Fourth Sino-Japanese People-to-People Meeting"]

[Text] In his keynote report, Huan Xiang [1360 6763] pointed out that certain problems in the political relations give rise to doubts as to whether the principles of the Sino-Japanese Joint Statement are being strictly implemented in word as well as in deed. Ito Masayoshi pointed out in his keynote report that neither the Japanese Government nor the overwhelming majority of the Japanese people intend to change the principles of the Joint Statement.

A survey of Chinese public opinion, published last month in this paper, evoked in Ito deep feelings of heavy responsibility, and he expressed the intention to strengthen Sino-Japanese friendship on the basis of sincere self-reflection.

Precisely in the year of the 10th anniversary of the signing of the Sino-Japanese Treaty of Peace and Friendship, and at this time when certain problems have arisen in the relationship between the two countries, problems that must be regarded as important and in need of resolution, the Fourth Sino-Japanese People-to-People Meeting was inaugurated last Thursday at the Great Hall of the People, attracting widest attention in China and Japan, as well as all over the world.

It was Okada Haruo, a former vice president of the Japanese Diet, who in 1981, during a visit to China, had proposed to Deng Xiaoping, Zhao Ziyang, and Liao Chengzhi [1675 2110 1807] holding Sino-Japanese People-to-People Meetings. Three meetings have so far taken place in either Tokyo or Beijing in 1982, 1984, and 1986.

Since the Third Sino-Japanese People-to-People Meeting in 1986, a distinct change has occurred in the international situation: There has been a relaxation, to some degree, of tensions between East and West, although hot spots and danger spots still exist, and even tend to increase, and there has also been a stronger trend toward multipolarization. In an era of earnest efforts for peace and development, China and Japan have become key countries in the Asian-Pacific region. Promoting closer and more productive friendly cooperation and working hard for the protection of peace in the Asian-Pacific region, as also in the whole world, are the important

tasks which the two countries and peoples are now facing. For the above reasons, the present Fourth Sino-Japanese People-to-People Meeting is of particular significance.

In her welcoming address to the fourth meeting, Deng Yingzhao [6772 4481 6389] appraised the start of Sino-Japanese people-to-people meetings 6 years ago as the establishment of regular and important channels for people-to-people interchanges, in which the mutual stimulation with concurrent official diplomatic relations played a very positive role.

Ito Masayoshi, Okada Haruo, and Mukaibo Takashi headed a strong contingent of 60 Japanese delegates to the meeting. On the Chinese side, 60 persons participated, among them Wang Zhen [3769 7201], Huan Xiang [1360 6763], Zhang Wenjin [4545 2429 2516], Sun Pinghua [1327 1627 0553], Zhang Xiangshan [1728 7449 1472], Chu Tunan [2806 0956 0589], Liu Shuqing [0491 6615 0615], Zhou Peiyuan [0719 1014 3293], Zhao Puchu [6392 2613 0443], Huang Shiming [7806 0013 2494], Pu Shan [3184 1472], and Huang Xinbai [7806 6580 4101]. When looking over the lists of names of the two parties, it is easy to see that China and Japan are regarding the present meeting as of great importance.

In the last 2 years, the mainstream of Sino-Japanese relations had been good, but there exist also several problems, which is a view shared by both parties. In his key address, Huan Xiang pointed out that in political relations the most conspicuous problems are the issue of the Kokaryo Hostel and the question whether due note has been taken of the lessons of the past. These matter all have a bearing on the question whether the principles laid down in the Joint Sino-Japanese Statement and in the Sino-Japanese Treaty of Peace and Friendship will be strictly implemented in word as well as in deed. There are also some other political questions, namely how to resolve certain man-made obstacles that have arisen in trade relations and certain problems in the economic and technological cooperation. Huan Xiang especially emphasized his deep conviction that there is a need for those involved in the people-to-people meetings to urge their two governments to restudy the principles stipulated in the Joint Statement and in the peace treaty, and to take these principles as guidelines for further efforts to promptly and properly resolve the problems that exist in the relationship between our the countries.

In his keynote report, Ito Masayoshi rated the leadership elected at the 13th Party Congress and the Seventh NPC, with Zhao Ziyang and Li Peng [2621 7720], as a group of leaders with youthful vigor and great strength, whom one can trust to be capable of coexisting with countries of different social structures, and who have already established a mature and newly patterned Sino-Japanese relationship.

The Joint Sino-Japanese Statement states: 1) Japan is keenly aware of its responsibility for causing enormous damages in the past to the Chinese people through war and deeply reproaches itself. 2) The Japanese Government understands and recognizes the fact that the PRC Government is the sole legal government of China, and that Taiwan is an inalienable part of China. These two great principles are the foundation of Sino-Japanese relations. The Japanese Government and the overwhelming majority of the Japanese people will want no change in the principles expressed in the Joint Statement. As to the Kokaryo Hostel affair, Ito expressed that it is at this juncture an important problem in Sino-Japanese relations, and that he will continue to work hard for its resolution.

On 4 April, this paper published a survey of Chinese public opinion, one question in the survey being, which country has impressed you as the best country. Most replied: "Japan." Ito Masayoshi said, when I heard this result of the survey, I was extremely moved and also surprised, and, with renewed feelings of heavy responsibility, firmly resolved to draw lessons from the past, and on the basis of my self-reflection will work hard to strengthen the friendly relations between Japan and China.

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**Yu Guangyuan on Restudying Socialism**  
*40050190 Chongqing GAIGE [REFORM] in Chinese*  
*No 1, 10 Jan 88, No 2, 10 Mar 88*

[Article by Yu Guangyuan [0060 0342 6678]: "The Scope and Set Task for Restudying Socialism"]

[No 1, 10 Jan 88 pp 31-37, 54]

[Text] This article was written before the 13th CPC Congress. The report to the congress pointed out: "In the process of deepening its understanding of socialism since the Third Plenary Session of 11th CPC Central Committee, our Party has developed a series of theories and views in the realms of philosophy, political economy, and scientific socialism." Chinese theorists have done a great deal of work in these fields. In the future, I will join other comrades in continuing the attempt for further improvements.

Restudying socialism implies that on the basis of a correct understanding of socialism of the past, we should continue to deepen our understanding, clarify certain ambiguous concepts, and rectify certain erroneous views of socialism, so that our understanding will keep pace with the changing developments of the age.

Economically, a restudy of socialism involves the following tasks: 1) We should continue to solve the problem of methodology of studying socialism, and use the philosophy of dialectical materialism and historical materialism to study contemporary socialism as a social science. 2) We should enhance our understanding of the basic features of socialism and juxtapose the existence of socialist commodity relations and the principle "to each according to his work" as the basic economic features in the entire historical period of socialism. 3) We should intensify our study on the question of the system of socialist ownership. 4) We should clearly understand the question of ownership and managerial authority of enterprises under the system of socialist state ownership. 5) We should explore the administration of national economy in socialist countries. 6) We should try to discover the correct way to handle things of a spontaneous nature in socialist economic and social lives. 7) We should study "socialist economy" as a concept and the role played by nonsocialist ownership system as a supplement and an aid to socialist ownership system. 8) We should restudy the principle of socialist distribution of consumer goods. 9) We should restudy the question of socialism in its developing stage.

There are two essential aspects in the question of initial stage of socialism in China. It calls for, first, a restudy of socialism, or a study of the meaning of the word "socialism" in the phrase "initial stage of socialism"; and second, a sober assessment of the present conditions of the development of socialism in China, or a study of the meaning of the words "initial stage" in the same phrase. We should conduct an in-depth and meticulous research in both aspects.

Now, let us discuss the first aspect, namely, a restudy of socialism. For a long time, people believed that the meaning of "socialism" has been very clearly explained in Marxist classics so that further efforts on its study are unnecessary. In the 1950's, after decades of practice in socialist countries, many people became aware that conditions had not turned out in the clear and simple way as originally envisioned, and that further efforts are necessary on its study. Chinese Marxists likewise began to think of socialism in the 1950's. However, it was not until China had experienced nearly 20 years of economic and social stagnation, and particularly after the "10 years of cultural revolution" that they began to restudy socialism seriously. Since the 3d Plenary Session of the 11th CPC Central Committee, Chinese theorists have become increasingly aware of the need to restudy socialism seriously. The party has done a great deal of work and achieved great success in these 9 years.

Restudying socialism implies that on the basis of a correct understanding of socialism of the past, we should continue to deepen our understanding, clarify certain ambiguous concepts, and rectify certain erroneous views of socialism, so that our understanding will keep pace with the changing developments of the age. Marxism dealing with the basic tenets of socialism is not within the scope of this "restudy." In the course of "restudying," I am not in favor of doubting the unmistakable conclusions reached in Marxist works. What I believe to be within the scope of our restudying are first, those important questions which were systematically raised in the 3d Plenary Session of the 11th CPC Central Committee, and for which correct conclusions have already been reached. We should make an effort to study and discuss them, so that they can be assimilated as knowledge of our own. Second, the whole set of really important new problems which we should study intensively and for which we should make great efforts to find their solution. I further believe that we should restudy socialism systematically. However, this article will present only a few economic questions, and tentatively explain why these questions should be raised for our comrades' reference.

**I. Continue To Solve the Problem of Methodology in Studying Socialism**

In their study of contemporary socialism, Marxists should follow the example of the founders of Marxism in using the philosophy of dialectical materialism and historical materialism and study it as a social science. By this means, they will be able to come to conclusions regarding the trend, prospect, form, and stage of socialist social development, and further develop scientific socialism under new historical conditions. We should "elucidate new tenets for the world from the tenets of the world itself." (Footnote 1) We must persist in proceeding from realities in developing the science of socialism and avoid the use of those conventions, patterns, and standards which were established before this study and which would hinder our scientific approach to the study of socialism Marxism.

A letter written by Engels to Lafargue in August 1884 contained this passage: "You impose on Marx the 'political and social ideals' of economics. Marx will lodge his protest. If you are a 'scientist,' you have no ideals and will have to work out your scientific conclusions. If you have the faith, you will struggle to realize your scientific conclusions. However, if you have ideals, you cannot be a scientist because of your preconception." (Footnote 2) My interpretation of this passage is that strict scientific research brooks no preconceptions. However, when a conclusion has been reached in our scientific research, the bright future pointed out as a result of this research will serve as the goal of our struggles, and this goal is also our ideal. I do not agree with those who regard Marx and Engels as "idealists." Nor do I agree with those who think that Marx and Engels should not be publicized among the people as the ideal persons for whose cause the people should wage struggles, as already scientifically proved. They are, strictly speaking, scientific socialists. However, even the scientific theories founded with the strict scientific approach of Marx and Engels and through realistic research need to be developed along with the march of time. Socialism must continue to advance after going through the stages of doctrines, movements, the founding of socialist system and the development of material and spiritual civilizations. Its progress has a special feature: the latter part does not abandon the former part, but rather develop, enrich, and promote it. Along with the establishment of a socialist system and the development of culture, the theory of scientific socialism also undergoes new developments. Thus Marxism, as the science of socialism and then as the science of socialist revolution, also undergoes developments. This process of development is also the process of a gradual deepening of our understanding of socialism as well as the process of our restudying socialism. The socialism to be restudied has the elements of a heritage as well as the need for innovation. In accepting it as a heritage, we must thoroughly understand the Marxist classics, and then study and assimilate the outstanding accomplishments from the Marxist documents of the past. I positively oppose the attitude of rashly finding fault with Marxist classics. We must follow the example of the writers of Marxist classics in restudying socialism and developing scientific socialism, and learn their methods of studying socialism.

## II. Enhance Our Understanding of the Basic Features of Socialism

I am in favor of juxtaposing the existence of socialist commodity relations and the principle "to each according to his work" as the basic economic features in the entire socialist historical period (meaning the first stage of a communist society) which are different from those of communism of a higher stage. A communist society in the first stage had to practice the principle "to each according to his work" and allow the existence of socialist commodity relations because it had newly emerged from an old society and could not discard the principle of exchanging a given amount of labor in one form for an

equal amount labor in another form in dealing with the problem of the relationship between individuals and society. Nor could it discard this principle in dealing with the relationship between different sectors of society. In 70 years since the victory of Russia's October Revolution, many socialist countries have acquired rich practical experiences, and after the study by Marxist theorists and their discussion on the question of the existence of commodity economy under a socialist system, the conclusion that socialist commodity production is also a basic economic feature of a socialist society was reached. This conclusion should be more clearly explained and be implemented in theory as well as in practice in all ramifications of socialist economy. This will help deepen our understanding of the basic socialist system. This concerns not only the social and economic lives in the socialist society of China alone, but also the initial stage of socialism as a particular historical period, as well as the historical period of socialism as a whole.

Socialist economy is still a type of commodity economy. This definition was first given by some Chinese economists, and officially recognized by the 3d Plenary Session of 12th CPC Central Committee according to the "Decision on Restructuring the Economic System." This is a highly significant idea. This definition not only implies that socialist commodity economy, just as "to each according to his work," is a basic feature of the socialist economic system, but also raises socialist commodity economy to an even higher plane. It is one of the greatest achievements in the restudy of socialism since the 3d Plenary Session of the 11th CPC Central Committee, and is of great significance to both theory and practice. That is why it should be more thoroughly elaborated. I recently began to take the view that the founders of Marxism spoke highly of the achievements of the capitalist society in developing productive forces during this historical period. They also highly praised the organized way of capitalist production, in which, as they fully understood, market and competition played a significant role. However, they stressed the negative effects of the market and competition without fully noting that the growing market mechanism could also be a heritage to the civilization of mankind from the capitalist society—a heritage which future societies can assimilate. Of course, it has to be critically assimilated, and to be modified in accordance with socialist characteristics. This had certainly something to do with the failure to consider the question of circulation on the part of socialists at that time. Marx and Engels did not talk much about the "to each according to his work" question in what they wrote, but the Lassalleans introduced the "undiminished proceeds of labor." These words were even written in the Gotha Program and attracted Marx's attention. Therefore, in his "Critique of the Gotha Program," he wrote about the contents of the relationship between the individuals and the society in the distribution of consumer goods during the first stage of communism. As to circulation in the future communist society, the socialists in various countries at that time did not raise any serious questions. For this reason,

Marx and Engels did not study it or give it any thought. That is why the question of our ability to assimilate the many experiences accumulated in capitalist societies received no attention and remains to be studied by Marxists living in a new society.

### III. Intensify Our Study on the Question of Socialist Ownership System

Ownership (of property) comes under the economic, and not the legal, category. Ownership, or property rights, is a reflection of possession (of property) in law, and should not be simply interpreted in terms of to whom the means of production legally belongs. "Ownership" is invariably related to economic benefits. If a person has something which cannot bring him any economic benefit, he cannot say that he owns that thing, which, on the other hand, cannot be called his property.

This is the concept of ownership (of property). The system of ownership is the sum total of relations of production, or the economic system built on the foundation of ownership (of property). This system may refer to the whole of social economic system, or only a part of it. Since ownership is inseparable from certain economic benefits, the system of ownership means the sum total of relations of economic interests brought about by the ownership. According to its meaning, we may say that the system of ownership is the root of an economic system. The scope of the ownership system is very extensive, and we cannot (as Stalin said) regard it as only one of the several aspects of the relations of production. Although an ownership system cannot be equated to all the relations of production, it is nevertheless a summary of nearly all the aspects of such relations. Judging from the economic benefits realized from this system, we can see that all economic systems involving the economic benefits of the interested parties have the significance of an ownership system or come under the category of this system.

A basic feature of communism is the ownership by society of the means of production. A communist society is where the means of production are owned by the society. Socialism is the first stage of communism, and in this historical stage, the means of production are also owned by the society. Social ownership is a common basic attribute of communist societies of either the first or the higher stages. In the first stage of a communist society, however, people's economic interest relations have characteristics of their own; therefore, the system of social ownership at that time has its own characteristics. The ownership of the means of production by society has many important features. For example, the goal of socialist production is to meet the social members' daily increasing material and cultural needs, and the development of socialist economy calls for special socialist plans. However, in this historical stage of socialism, its basic characteristic of social ownership of the means of production is closely related to the principle "to each

according to his work" and the existence of socialist commodity relations. That is why some of its characteristics are different from those of a communist society of a higher stage.

In a socialist society, the socialist ownership system has its specific form and can have more than one form. This will raise questions about the structure of a specific "socialist ownership system," such as what are the forms, what are their proportions, and how are they intermingled to form a system. In an in-depth study of the question of socialist ownership system, besides clearly understanding its basic nature, we must also conduct a profound and concrete study in the forms and the form structure of socialist ownership system as well as the other questions which may ensue.

I believe that the socialist state ownership system exists throughout the initial stage of socialism. According to this system, which is familiar to everyone, a portion of the society's means of production is set aside to be directly owned by the state, and the use of this portion must be approved by the state. Those using these means of production are designated by the state, or such use must have state approval. Speaking of production, the products are state properties until they are transferred to other parties. The profits gained by enterprises under the state ownership system are at the state's disposal, although, of course, their losses are also state losses. According to this system of state ownership, the state has the power which other ownership systems do not have. This form of state ownership system is a by-product of a revolutionary process in which the proletariat seizes political power, and relies on the state apparatus as a means of proletarian dictatorship in expropriating from the bourgeoisie and in remolding the nonsocialist economy. This clearly shows that as long as there is such a revolutionary process, the birth of a socialist state ownership system is only natural. However, will this form continue to develop throughout the entire period of socialist development, or will it be restricted? In the long run, will this form be suitable for certain special areas of economic activities, or will it be universally applicable? What will be the destiny of this form of socialist state ownership system in the entire historical period of socialism? These questions deserve to be studied. The answers depend on the factors of time, location, and prevailing conditions. Since this type of socialist state ownership system was born under such historical conditions, then along with the changing historical conditions, its position may also change. Indeed, this form of socialist state ownership system has begun to change in some socialist countries, and in China, too, during the economic reform.

Another form of socialist state ownership system is closely related with the state's role in the national economy. The basis of the long-term existence of this form of socialist state ownership system is that in a socialist society, there is not only a guiding and administrative center of a completely social character, there is

also the state. Therefore, the guiding and administrative center of social life cooperates so closely with the state apparatus, that, as we may say, they almost merge into one. Under such conditions, the state has to rely on not only its organizational forces and ability, and its scientific resources in playing its guiding and administrative roles, but also on the state apparatus' strength. In other stages of communism, the guiding and administrative center may have its own financial resources; but in a socialist society, the state finance must take up a fairly large portion of the national revenue, because of the heavy outlay for the state apparatus and the necessary administrative expenditures. From the financial point of view, socialist countries, as the interested parties in the economic interest relations of socialist societies have economic benefits of their own. The state collects taxes from individuals, accepts the profits turned in by certain socialist enterprises, and exercises its economic power of one kind of another. These activities embody the essence of socialist state ownership system. Therefore, as long as the state plays its role in socialist economic life (and there is no question about it in the entire stage of socialism), this form of socialist state ownership system will exist.

Engels said: "The principle of taxation is essentially and a purely communist principle, because the rights of all countries to collect tax come from the so-called state ownership system. Indeed, if the system of private ownership is sacred and inviolable, there will be no state ownership system, and the state will have no right to collect taxes. If this state has such rights, then the system of private ownership is no longer sacred and inviolable. The state ownership system will be above the private ownership system, and the state will truly be the master. The principle in the latter case is recognized by everyone. Well, gentlemen, we now ask everyone to abide by this principle, and ask the state to declare itself master of the country and to advance social welfare with the social properties. I ask the state to practice a taxation system, in which the capability of each individual to pay tax and the true welfare of the whole society will be considered, as the first step toward this goal."(Footnote 3) This passage shows that there are certain economic benefits brought by the state ownership system, and that, on the other hand, certain economic benefits for the state show the actual existence of the state ownership system.

Both of the systems just mentioned are socialist state ownership systems, but their destinies are obviously different. Of course, no hard and fast line can be drawn between them, although we can distinguish between them in concept.

Besides the socialist state ownership system, and under the socialist system, there is usually a form of the working people's collective ownership system with various socialist characteristics. It is a basic form of socialist ownership system which coexists with the state ownership system. It was highly praised in the works of Engels and Lenin. It is necessary for us to restudy the role of the

working people's collective ownership system as well as the position and role of the socialist state ownership system. Here is a question of "degree." It means that we must have an appropriate assessment of the positions and roles of both the socialist state ownership system and the collective ownership system. Furthermore, even though the basic characteristics remain unaltered, some minute change in these two forms of socialist ownership system may cause a fairly serious impact on socialist economic life. We should attach great importance to these minute changes. During the economic structural reform in the past few years, many questions relating to the system of ownership were raised. Among them were the questions of household-based system of contracted responsibility with remuneration linked to output, the contract system of state-owned enterprises in the cities, the leasing system, and the share system, all having these characteristics. These are the priority items for our study right now.

Besides these two basic forms, other forms of socialist ownership can be established in theory. Many socialist countries have introduced new elements in practice, while China is conducting study and experiments. There are also other systems formed by a combination of different basic socialist ownership systems and with different methods.

The system of socialist ownership and the form structure derived from it will undergo constant changes throughout the entire stage of socialism.

#### IV. Clearly Understand the Question of Ownership and Managerial Authority of Enterprises Under the System of Socialist State Ownership

The owner and the manager can be the same person; they can also be different persons. However, owning and managing are under different economic categories, because ownership and managerial authority are different legal rights. Their effects on social life are also totally different. Management or the manager's job is to gain economic benefits through business operation, while the economic benefits for "owning" or the owner are realized on the strength of "owning." Since "owning" itself cannot create any material wealth or economic benefits, it can only rely on the rights of ownership for the economic benefits which can only come from the economic benefits created by managing or by the manager in business, and which can only be a portion of those of the manager.

Of course, the relationship between "owning" and ownership on the one hand is the same between managing and manager on the other, in view of their very close relationship. This relationship has something to do with the type of owners and managers. In other words, it all depends on the conditions for the manager to obtain the right to use what belongs to the owner. The relationship between ownership and managerial authority is not

formed under the socialist system; it is a very old economic relationship. Many examples of it can be cited from the ancient history and the modern history of China and the world.

Now, let us look at the question of ownership and managerial authority among enterprises under the socialist state ownership system. What are the essential characteristics of such enterprises?

As I said before, there is a type of independent, direct socialist state ownership system in the historical stage of socialism. The enterprises under a socialist state ownership system which I am talking about belong to this type of independent, direct socialist state ownership system. These socialist state-owned enterprises are founded by the state. The state has full authority over the enterprises including the power to decide on the continuance or suspension of their operations. The enterprises are also guided by the fundamental principles laid down by the state. These rights are the basic prerequisites for the state to control the business. Besides, the state's economic departments in charge also have some power in dealing with some important problems related to business operation or within the scope of business operation. As far as these enterprises are concerned, the socialist state is not only the owner of the means of production; it also basically possesses the major power over the enterprises' business operations. In the case of state capitalist enterprises or cooperative enterprises which have a lease for the exclusive use of the means of production owned by the state, however, the state has only the ownership of the means of production, but basically no managerial authority. These enterprises are not what we call enterprises under the socialist state ownership system. As long as the enterprises remain under the socialist state ownership system, then, in the relationship between the socialist state and the enterprises, the former is not only the owner of the means of production, but also able to intervene or participate in the business operation of the enterprises through its departments in charge. The only question is about the extent of intervention or participation, about temporary nonintervention or nonparticipation, or an ultimate relinquishment of the rights to intervene or to participate.

Therefore, among these socialist state-owned enterprises, a very special condition exists on the question of relationship between ownership and managerial authority. Although the state's ownership of enterprises and its managerial authority over them are not the same thing, the distribution of this managerial authority between the socialist state-owned enterprises and the economic departments in charge is still a problem demanding concrete solution in the economic structural reform. The owner—the socialist state—makes its own decision on this distribution. People request the state for the "delegation of authority" because the state, as the owner under a socialist state ownership system, has the power to decide on the "delegation of authority." Therefore, the power to distribute managerial authority is one of the

rights of ownership. What we are now faced with is the question of distributing managerial authority between the government departments in charge and the enterprises. In this respect, the main defect now is that the managerial authority to be exercised by the enterprises is so little and that of the governments at all levels is so excessive that the enterprises do not have enough vitality to bring into full play their initiative and activism. The government's economic departments in charge interfere too much with the enterprises' economic activities under the existing system. That is why a serious reform in the distribution of managerial authority, involving the question of relationship between ownership and managerial authority among the socialist state ownership system throughout the entire historical period of socialism, has attracted so much attention. The enterprises just mentioned are exclusively, comprehensively, and directly under the socialist state ownership system, and the government's departments in charge are not without some managerial authority over them. That is why when we actually solve this problem during the reform, we should consider the limit of government authority and appropriately increase that of the enterprises. However, this proposal has always met with passive resistance from some persons who are accustomed to the old system of the government departments in charge.

There is another issue which we must carefully address in the relationship between ownership and managerial authority, and this issue has already appeared in real life. We must actually change the system of independent and direct socialist state ownership so that the enterprises under this system will also undergo a qualitative change. The socialist state will only own the means of production after delegating all the managerial authority to the enterprises. This does not mean that socialist states will no longer control enterprises. However, this kind of control will be the same as that which it exercises over collectively owned enterprises. Instead of further intervention in the enterprises' management, the state still exercises what we call indirect macroeconomic control, and realize its economic benefits only on the strength of its ownership of the means of production. If this is accomplished, the owner and the manager can no longer be the same person. There is a tendency toward the separation of the owner and the manager in some of the measures in today's reform. The form of enterprise ownership system, built on the foundation of a system under which the socialist state owns the means of production and the enterprise does not share its managerial authority with other people, or the form of socialist ownership system, built on a foundation of a system under which a socialist state owns the means of production, while the enterprise owns the business and shares its managerial authority with others, are both completely new in China. It is neither the present socialist state ownership system nor the system of collective ownership by today's socialist working people. This form of ownership system may very possibly develop from our study and experiments in the relationship between ownership and managerial authority. It deserves our careful study.

On the one hand, the problem of ownership and managerial authority can be a fairly simple one. In theory, for example, the manager must have certain power before he can effectively exercise his function, and this power is called "managerial authority." Anyway, this "managerial authority" is different or separated from ownership. In practice, we can call it the adoption of a method to eliminate any defect that comes to light. On the other hand, this problem is a fairly complex one for the following reasons: In theory, we must conduct a new analysis and assessment of this form of socialist state ownership system and the socialist state-owned enterprises, in addition to an exploration of the new form of socialist ownership system. In practice, we must look for the best and the most rational way to solve it. The solution of this problem is quite difficult.

[No 2, 10 Mar 88 pp 30-39]

[Text]

#### V. Explore the Management of National Economy in Socialist Countries

In theory, the management (including the guidance, regulation, control, and so forth) of the national economy in socialist countries should be basically different from that of capitalist countries not only in substance (the need to advance the people's interests and the socialist cause), but also in form (the method and organization of management). We were all concerned with this difference in the past. However, we have failed to find an accurate method to deal with this difference, and sometimes we even used erroneous methods. The cause of our inaccuracy and error is twofold. First, we regarded the substance, methods, and systems of management which can be used in capitalist countries as being exclusively under the socialist system. For example, people in the past often said that only under a socialist system can the national economy be planned and practiced by the government, whereas under a capitalist system, the national economy on the whole is haphazard, and the government cannot manage its national economy according to plan. Second, we regarded the substance, methods, and systems of a neutral nature which have proved to be effective in capitalist countries, and which can also be adopted under a socialist system, as things with capitalist attributes and firmly rejected them. These two conditions were quite prominent in the 20 years before the Third Plenary Session of 11th CPC Central Committee but have been corrected to a certain extent since then. Yet the special characteristics of the methods, forms and organization of national economic management which distinguish capitalist from socialist countries have not been quite clearly explained.

To clarify this question we must first carefully study the law of socialist planning. My understanding of this law dates back to 1952. The 35 ensuing years can be divided into four stages and is now in the fourth stage after passing through the first three. The four stages are as

follows: 1) Acceptance of Stalin's law of planned (proportionate) development. I began to study Stalin's "Economic Problems of Socialism in the USSR" in the early 1950's. 2) Revision of this law as "law of proportionate development as planned." The reason why I believed in the need for revision is that planned development does not necessarily include proportionate development, and that "proportionate development as planned" is possible only under a socialist system. This was the view expressed in my articles in 1956 after the blind worship of Stalin was rectified under the influence of the 20th CPSU Congress. 3) Later on, I held that it should be interpreted as "the law of planned development" of which "the law of proportionate development as planned" is a part. The reason why I revised it this way was that many planned developments are not related to proportionate development, as shown in the phrase "conducting economic reform in a planned way in order to promote the development of social productive forces." The planned distribution of productive forces is not the same as their "proportionate" distribution. I introduced this view in 1980. 4) I took a further step in interpreting the law of socialist planning as the "law of planned development according to socialist planning in coordination with ordinary planning." I introduced this view in 1985. At this stage, I came to understand two types of planning: First, the planning on a foundation of organized social and economic lives. This type of planning exists under both capitalist and socialist systems, particularly in modern capitalist countries where the whole society is well organized. It can develop to a considerable extent and is called ordinary planning. Second, unique socialist planning. It is based on social ownership of the means of production. It is a new type of planning which can materialize only after resolving the contradiction between socialized production and private ownership. Socialist planning should be a unity of these two types of planning. It includes ordinary planning as well as the unique socialist planning.

Speaking of the management of the national economy according to the laws of socialist planning, Stalin said: Socialist countries can, and must "practice national economic planning." Planned action is certainly not limited to state action, but what we are discussing is not the planned action of enterprises or individuals, but that of socialist countries. It is precisely the socialist countries' planned action that leads to the planning of the socialist national economy.

We have already mentioned the type of planning on a foundation of ordinary social organization. The foundation here refers to the social foundation for planned development. For this planning, we also need subjective action and other forms of guidance. Ordinary planning requires guidance by ordinary sciences including natural science, social science, and management science. At the same time, in formulating and executing plans, we need ordinary technologies, such as computer technology. A capitalist society can have this type of planning, and we should also have it and master the relevant sciences and

technologies in a socialist society. In addition to the planning of an ordinary nature, there should be planning based on public ownership of the means of production under the socialist system. To truly accomplish this type of planning, we also need guidance from a science, namely, Marxist science, which is different from ordinary sciences. What distinguishes planned development of a socialist system from that of a capitalist system is the former's mastery of objective laws. This calls for an understanding of Marxist economics, Marxist political science, Marxist sociology, and other Marxist sciences so that we can use them as a guide to a scientific conclusion in social development. The means and methods used should also be based on the special characteristics of the socialist system. In other words, for planning under the socialist system, we must also use some special technologies in combination with Marxist sciences. The technologies referred to here mean social technologies including the technologies of formulating the lines, principles, and policies, and the technology of organization.

Marxist economics occupies a predominant position among Marxist sciences. Under a socialist system, many problems have to be solved by studying Marxist economics. Here I particularly want to mention one of these problems, namely, the problem of the relationship between socialist planning and a commodity economy. We have already ascertained that the socialist economy is a kind of commodity economy. Therefore, the most important part of planning for economic development under a socialist system should be the planned development of the socialist commodity economy. To accomplish this, we must not fail to clarify the following theoretical questions: 1) Why is socialist economy still a kind of commodity economy? 2) What kind of commodity economy is the socialist economy? 3) What are the laws governing the development of a socialist commodity economy and what are the characteristics of a commodity economy in the primary stage of socialism? 4) What is outside the scope of a socialist commodity economy? What position does it occupy in the socialist economy and how is it related to the socialist commodity economy? The answers to these questions are closely related to the planned development of a socialist economy. At the same time, in planning the development of socialist commodities and promoting the planned development of the socialist commodity economy, we need the technologies of market analysis, market forecasting, application of market mechanisms and so forth. Like the study in socialist economic problems, which are inseparable from the study of such noneconomic subjects as political and cultural sciences, the technology for the planned development of the socialist economy is also inseparable from the scientific achievements in such noneconomic fields as politics and culture.

#### VI. The Problem with Things of a Spontaneous Nature in Socialist Economic and Social Lives

Under a socialist system, there is an economic guiding and administrative center of a purely social character that is meticulously organized at all levels and based on

public ownership of the means of production with Marxist science as its guiding thought. This center includes the communist party and the government under its leadership. Its basic duty is to provide leadership and management over the entire social economy consciously and correctly. The state's planned management which I have mentioned is within the sphere of leadership by this center. However, there are exceptions. First, social and economic lives are so complex that it would be impossible to subject everything to the leadership and management of this center. Second, in social and economic lives, there are numerous activities of individuals, units, collectives, departments, and regions. Each of those carrying out these activities has his or its own goals, interests, and initiative. They can even carry out these activities according to their own understanding of social interests, and of the line, principles, policies, and ideology they believe to be compatible with social interests. Therefore, we must recognize their activities as conscious activities. However, because many of these activities are not based on the arrangements made by this center, they are, in the view of the administrative center, of a "spontaneous nature". This is the kind of "spontaneous nature" that we are talking about. Under the socialist system, therefore, how to handle things of a spontaneous nature correctly is a problem that may be encountered in restudying socialism.

In the past several years, there have been heated discussions in China's economic circles on the question of regulation by plan and regulation by the market. This question, in my opinion, actually has two different aspects: First, the question of the relationship between planned economy and commodity economy. This is a question of economics for which people in economic circles throughout the world have shown their concern and published voluminous works. Second, the question of the relationship between the role played by the guiding and administrative center I have talked about in socialist economic life and socialist economic development, and the things of a spontaneous nature in social and economic lives. This is a somewhat philosophic question of general concern but has not been carefully studied.

First, the question of the relationship between a planned economy and a commodity economy. Since the term "commodity economy" was not used in Marx' "Capital," it has not been used in China's economic works either. Commodities enter the market for exchange, so I consider it permissible to treat commodity economy and market economy as synonyms. Of course, we must make it clear that both the market economy and the commodity economy we talk about have their socialist character and must not be confused with their capitalist counterparts. If this point is clarified, the relationship between a planned economy and commodity economy can be called the interrelationship between a planned economy and market economy. In the past 100 years, the views held in economic circles have undergone three stages of development. The first is what I call the stage of "exclusion," meaning that the two cannot tolerate each

other. This view now occupies the dominant position according to Western scholars. This, we may say, was how Russia conducted its affairs soon after the October Revolution. The second is what I call the stage of "combination," meaning the combination of planned economy and market economy. This stage began in socialist countries at the time when Russia adopted the New Economic Policy. The third is what I call the "principal part" stage, meaning that the socialist commodity economy or market economy is the principal part of a planned development program. In my opinion, this stage began after the 3d Plenary Session of 12th CPC Central Committee affirmed the socialist economy as a type of commodity economy. Regardless of the "combination" or "principal part" theory, we must recognize the coexistence of regulation by plan and regulation by market. This recognition is independent of the will of men.

Second, the question of interrelationship between leadership and management in socialist countries on the one hand and things of a spontaneous nature in social and economic lives on the other. Very few economists in China have written articles on this question, but I believe it to be a question of understanding of great practical significance. As to the regulations by plan and the market, regulation by plan is obviously not of a spontaneous nature. Regulation by market, however, can take place under several sets of conditions. First, the regulatory role of the market is itself derived from state leadership and management. This type of market regulation means the use of various economic levers and measures by the state to attain the expected objective through the market mechanism. Under these conditions, the direct role of market mechanism means market regulation, and the primary motive force for this role comes from state actions. This market regulation is then not of a spontaneous nature. There is another set of conditions under which market regulation is more or less spontaneous. It is a spontaneous action in the original sense either from the standpoint of the administrative center previously mentioned, or from that of people conducting various activities in their social and economic lives. This spontaneous regulatory role is sometimes in line with the orientation of the development of socialist undertakings; therefore, it plays a positive role. Sometimes, however, it runs counter to such an orientation, and therefore has negative effects. We cannot adopt the same attitude and the same methods in dealing with these two spontaneous actions. The distinction between the positive and the negative cannot be determined merely by whether it is in accordance with the arrangement or the command of the center, or comes from below as a spontaneous action. The criteria for such determination should be its usefulness to the development of socialism and socialist productive forces. The social administrative center should also adhere to this principle in exercising its functions of leadership and management, and in its attitude toward things of a spontaneous nature. If anything of a spontaneous nature is the result of mass enthusiasm and a manifestation of

creativity, we must protect and foster it. We must never disrupt or suppress it with our erroneous "leadership and management" on the grounds that it comes spontaneously. On the other hand, if any spontaneous action has negative or even destructive effects, we certainly have to use a different approach so that it will not jeopardize our cause. On the whole, the social administrative center exercising its leadership and management must support spontaneous actions with positive effects and suppress those with negative effects. Leadership and management should be based on the spontaneous and positive actions of the masses, and be good at providing guidance. This is what Mao Zedong called "pooling mass ideas and persevere in carrying them through." This can be regarded as a universal principle in revolution and construction. In my opinion, we should adhere to the same principle on the question of regulation by plans and regulation by market.

Of course, there are many questions concerning the correct handling of spontaneous actions other than those concerning planning and market in socialist economic life. During the economic structural reform, many good ideas originating from the masses were not anticipated by the state's guiding and administrative center. These ideas were not the result of following the center's plans, arrangements, and commands, but the outcome of spontaneous action from below. For example, if we want to look at the history of the output-related responsibility system, we have to go back to the days of "fixing an output quota for each household" in Anhui in 1960. This system was entirely the result of mass spontaneity. Our guiding and administrative center strongly opposed and repudiated it. After the 3d Plenary Session of 11th CPC Central Committee, however, people began to realize that it was suitable for China's present rural conditions and a good way to liberate the productive forces in the countryside. Of course, we also oppose any blind faith in spontaneous action, although we favor the enthusiasm for social development under the guidance of Marxist theories, and stress the significance of leadership and management without which there would have been no victory for the socialist revolution or any success for socialist construction. We must understand that stressing the significance of leadership and management that are enthusiastic in social development means stressing the need for correct leadership instead of blindly believing in the correctness of any leadership and management. Correct leadership and management means upholding Marxist doctrines and the correct orientation and relying on the positive spontaneity of the masses in order to enhance the consciousness of leadership and management and to arouse greater mass enthusiasm in following the party's basic line and principles and in struggling for the socialist cause. For this reason, we must encourage the creativity of the people and the cadres. This encouragement is particularly important during the reform. There must be abundant creative experiences before we can sum them up and choose the best. The more these experiences, the more we will have to choose from, and the more capable will we become in

discovering the best ones to be popularized. Therefore, protecting mass creativity is a prerequisite for efficient leadership and management. In this connection, of course, we must conduct our scientific research with a strictly positive approach, and it is necessary for us to rely on mass creativity as well as the scientific achievement of intellectuals and scholars at home and abroad.

#### VII. Questions on the "Socialist Economy" Concept and Nonsocialist Ownership Form

The term "socialism" includes two different concepts. One of them refers to a form of ownership characterized by the society's ownership of the means of production. The other refers to the economy of a socialist society in which the economy with a socialist ownership system predominates. In a socialist society, the function of social economy meets two basic conditions: 1) It helps in the continued development of the socialist ownership system and the continued consolidation of its predominant positions. 2) Since the purpose of social economic activities as a whole is to satisfy the daily increasing needs of society, the result of these activities in practice should serve this purpose. The entire socialist economic life should also proceed according to other "socialist principles" and make it possible for these principles to be strengthened and developed. In other words, the economy with a socialist ownership system while occupying a leading position, is not necessarily the only form of economy in the socialist society. According to this concept, the economy of a socialist society is the economy in which the system of socialist ownership occupies the leading position which can be constantly strengthened; and the economy in which other socialist principles, including that of satisfying social wants, can be more and more efficiently implemented. Therefore, the economy of a socialist society is one that takes the socialist road and continues to develop socialist undertakings. No difficulty is involved in this concept except the need for a set of very distinctive and universally acceptable "principles of socialist economic activities and economic life," including the minimum socialist requirements which must be completely fulfilled before this economy can be qualified as the economy of a socialist society. There are also certain other conditions for setting the goal of our struggle. Failure to meet these conditions does not necessarily forbid us from calling the present economy of the entire society the economy of a socialist society, but we should do our best to meet all of them. This type of economy of a socialist society can be simply called socialist economy.

In the economy of a socialist society, or the socialist economy according to its second name, if any type of economy with the system of nonsocialist ownership is permitted to coexist with that of socialist ownership, then the latter, as the principal economic component in a socialist society, will certainly occupy the leading position. In accordance with the basic requirement of the economy of a socialist society just mentioned, the economy with a nonsocialist ownership system must be an

aid and a supplement to the economy with a socialist ownership system instead of being destructive or detrimental to it. If the latter is the case, then as a matter of principle, it cannot be permitted to coexist. If it is only some historical remnant, we should transform it into an economic component as an aid and a supplement to the economy with a socialist ownership system. During the transition period, people should set the task of socialist transformation in accordance with this viewpoint and carry it out actively. If an economy with nonsocialist ownership systems that may be destructive or detrimental to the economy with a socialist ownership system does not exist, then we should adopt measures to prevent its appearance. The basic theoretical questions which we should now answer are: 1) Can the system of nonsocialist ownership be an aid and a supplement to that system of socialist ownership after all? 2) Under what conditions (or at what historical stage of the development of the socialist society) can the system of nonsocialist ownership be an aid and a supplement to the socialist ownership system? 3) Under what conditions will it be better off, or worse off, for the system of socialist ownership, if we permit, instead of forbide, the coexistence of nonsocialist ownership systems? 4) Generally speaking, will the existence of a single system of socialist ownership or the coexistence of nonsocialist ownership systems be more advantageous to the development of the economy of a socialist society? Probably, the question of "generally speaking" basically cannot arise. Questions 2 and 3 are concrete questions requiring concrete analyses, while questions 1 and 4 are theoretical questions requiring answers based on a review of historical experiences. Therefore, we can write a little more about questions 1 and 4 here.

We have in fact already answered these two questions. The answer is that the coexistence of many different systems of ownership with their effects of consolidating and developing the predominant system of ownership is a phenomenon of a general nature. Some articles studying the question of China's socialism in the initial stage have pointed out the correctness of this answer. With the exception of primitive communism in ancient times, when only one form of ownership existed, there has not been in history any society with only one ownership form in its economic structure. After the disintegration of the primitive society, what we have said applies to the slave society, the feudal society and the capitalist society. Although individual economy, small commodity economy, and commercial capital have never occupied any dominant position in any society, they did have a certain position in many societies. Sometimes, they had their disintegrating and obstructive effects on the main system of ownership, but most of the time served as its aid and supplement. It means that in certain historical periods, they and the ownership system which has been, still is, and will be the main form of ownership in society are mutually tolerant. All these are historical facts. A question that should be answered here is: Will the situation, which existed in societies with other forms of economy in the past, continue to exist in a socialist society? People

may have these doubts: Individual economy, small commodity economy, and the dominant economy in the slave society, the feudal society, and the capitalist society all had as their common feature the private economy, and could therefore coexist. In this case, individual economy and small commodity economy could aid and supplement the dominant economy. In the case of the nonsocialist ownership system and socialist ownership system, however, one is privately owned, and the other, publicly owned. They are by nature opposites, and therefore, cannot coexist. Private ownership, they think, cannot aid or supplement public ownership. However, this abstract deduction does not conform to objective laws. Way back in the first year of the first socialist country in the world, Lenin already realized that it was possible for not only individual economy but also capitalist ownership to coexist with socialist ownership in a state under the dictatorship of the proletariat. He maintained that socialist economies should not be abstractly compared with capitalist economies, and that concrete attempts should be made to clarify their relationship. He said: "If in approximately 6 months' time state capitalism became established in our republic, this would be a great success and a sure guarantee that within a year socialism will have gained a permanent hold and will have become invincible in our country." (Footnote 4) The view that public ownership and private ownership can only be mutually exclusive but not mutually supplementary is an abstract deduction which does not conform to reality. However, it is not enough to cite only this passage, because what Lenin referred to was the transition period from capitalism to socialism. A review of the subsequent events in Eastern Europe and, after the 3d Plenary Session of 11th CPC Central Committee, in China can lead to this conclusion: In a socialist society, particularly during the primary stage of socialism, the economy with nonsocialist ownership systems can not only coexist with, but also produce important effects in aiding and supplementing the economy with a socialist ownership system. These effects are quite apparent in satisfying social wants, providing job opportunities, improving technology, and absorbing funds.

The coexistence of nonsocialist ownership and socialist ownership may not as a rule serve to distinguish between the economy of a socialist society and a socialist ownership economy, because we cannot in theory ignore the social economic structure with a single socialist ownership system. However, this coexistence can make the distinction between the two concepts more apparent.

#### VIII. Restudy the Principle of Distributing Socialist Consumer Goods

Under a socialist system, on what principle is the distribution of consumer goods based? To this question, people would answer "to each according to his work." This is certainly correct, but not entirely so. A restudy should show this as the basic and main principle, but not the only principle.

What is "to each according to his work"? It means distribution according to the amount of labor contributed by people to society. This interpretation is certainly based on sound principles. However, when the socialist system has been set up in some countries, we should have a more concrete grasp of this principle. Thus two different views have emerged: First, if the principle "to each according to his work" is to be strictly enforced, the laborer should be given the consumer goods according to the amount of labor he has contributed to society; otherwise, it would mean that this principle has not been fully implemented. Another view held that it would be impossible to distribute consumer goods strictly according to the amount of labor contributed, because the principle itself is highly flexible. As long as there is "more pay for more work, less pay for less work, and no pay for no work," it will mean the fulfillment of this principle. The proper way of distribution will depend on specific circumstances requiring specific considerations. There are various compromising views between these two.

As we can see from the practice of socialist countries in the past several decades, the claim that "to each according to his work" is the sole principle for the distribution of consumer goods does not conform to facts. The fact is that in addition to this basic and major principle, other principles are also at work. "To each according to his work" as the basic and major principle conveys two different meanings: First, the distribution of consumer goods according to the amount of labor contributed by the laborer is still our basic consideration. Second, there are some principles under which consumer goods are distributed not in accordance with the amount of labor contributed. However, these principles are related to and based on the major principle while differing from it in certain respects.

These principles are:

1. The principle of distribution according to the fruits of labor (or business results).

What this principle has in common with "to each according to his work" is that the fruits of labor, either good or bad, are naturally related to the amount of labor, large or small. If the amount contributed is large, and the quality is good, the result will be good. This principle is somehow different from "to each according to his work," because the fruits of labor are not decided by the amount of labor, but by other factors as well. Even though labor of the same amount and quality is put in, the fruits of labor can be vastly different because of changing conditions. Other than the land and the means of production produced by labor and the different effects produced, which I am omitting for the time being (and will come back to later), the changes in commodity market and money market, scientific and technical progress, and unexpected natural disasters can bring different results for the same contribution of labor.

2. The principle of distribution according to ability.

What this principle has in common with "to each according to his work" is that capable persons generally contribute more labor within the same period than incapable persons. The way this principle differs from "to each according to his work" is that since ability is a latent resource, the amount of labor a person can contribute to society depends on whether he would fully use his ability. There are frequent cases of capable persons not making full use of their ability.

3. The principle of distribution according to work positions.

What this principle has in common with "to each according to his work" is that we demand labor of different qualities, and even of different amounts, from different work posts. Thus work posts can to a fairly large extent reflect the amount of the person's contribution to society. However, labor contributions to society from work posts cannot always be the same, because the persons concerned, the time element, and the specific circumstances can make a difference.

There are also other principles which, like the three mentioned, are based on, but not identical to "to each according to his work," and the adoption of which is unavoidable under the socialist system. Since we want the laborers to manage their own enterprise well during the reform, we link the distribution of consumer goods with the result of the enterprise operation according to the principle of distribution according to business results. This is obviously a good orientation for solving the problem of distributing consumer goods. It is difficult to assess the amount of labor; but to ensure the stability of individual incomes, distribution according to individual capability (by referring to their academic background, their work experiences in certain fields, their academic or technical titles, or their grades based on professional skill) can be, to many people, the most desirable way. Distribution according to work posts has also been frequently adopted.

Furthermore, under the socialist system, we should practice, or consider practicing, some principles not based on "to each according to his work." That is why "to each according to his work" is only the main principle of distribution. These principles are as follows:

1. The principle of distribution according to the means of production. This principle is always used along with "to each according to his work." However, it may produce a strong impact on the distribution of consumer goods among the laborers. This impact is most vividly shown in this example: In China's fertile coastal regions and in the frontier and remote regions, the peasants putting in the same labor may receive vastly different consumer goods from distribution because of the difference in soil fertility and in the means of production possessed by the collective labor organizations. Under

these conditions, the means of production, though not owned by the laborers, still has a strong bearing on the consumer goods distributed to them. Individual laborers owning some means of production, can for this very reason obtain more consumer goods. For example, when the system of calculating work points according to the work done was practiced in China's countryside, those peasants who raised more pigs and delivered more manure, and those household who have better means of transportation to serve the collective could also obtain more work points.

2. The Paris Commune Principle

This principle has never been practiced in socialist countries, but its spirit can still be felt.

3. The principle of voluntary labor. Voluntary labor has not been affirmed as a system. Under the socialist system, however, there are always and naturally certain unpaid labor—some offered voluntarily, and others demanded by the state or the society.

4. The principle of egalitarianism. Under the socialist system, we must not allow egalitarianism to interfere with the working of the principle "to each according to his work." However, egalitarianism still exists to a considerable extent in many socialist countries, and particularly in China even now. Therefore, it still has its effects on the distribution of consumer goods. On certain occasions or under certain circumstances, adoption of egalitarian methods is not absolutely impermissible as long as it does not affect the principle "to each according to his work."

Besides the principles of distribution, the quantity of consumer goods to be distributed is also a question deserving attention. There are two problems with this distribution. One of them is the relationship between distribution and production, and the other is prosperity for some people first. Under the socialist system, prosperity is of varying degrees; otherwise there cannot be the first stage of communism. Therefore, prosperity for some people first is not a unique characteristic of China's socialism in its initial stage. Common prosperity is in line with socialist laws and can serve the same purpose as prosperity for some people first does. However, there are very divergent views as to the degree of difference permitted for prosperity. Some held that the growing of this difference would come close to polarization. In this connection, I have pointed out in an article that for the so-called polarization, there must be extreme poverty as a prerequisite. There are fairly poor people in a socialist society (and their poverty is caused by historical conditions), but their living standards are continuing to rise, and we cannot see any sign of polarization. The question now is to what extent the difference in prosperity among laborers will be permitted to grow. If anyone thinks that the difference is already too large and incompatible with socialist principles, then we should ask him to define the limit in terms of quantity, or to tell us up to what limit

will a quantitative change become a qualitative change. We should also ask him, "Why is it so?" I think this question is very hard to answer, because, unless we deliberately exaggerate facts, enforcing the socialist principle of distributing consumer goods would not lead to any "qualitative change." Yet this question objectively exists, though without any theoretical basis. It reflects the feelings of some people who would not permit the difference to grow beyond the acceptable limit. When other economic components of the socialist economy are permitted to exist, the question of distribution within these components is not covered by our restudy in the principle of distributing socialist consumer goods. Anyway, both in theory and in practice, the question of distributing socialist consumer goods should be carefully restudied.

#### IX. The Question of Socialist Development Stage Being Covered in Restudying Socialism

Here we can raise a question: To which historical period does the entire history of socialism belong? Marx said: This is a communist society "which economically, morally, and spiritually carries its marks from the womb of the old society." Regarding the "marks of the old society," we, today, can be more specific and thorough than Marx could in his time. However, the history of various socialist countries in the world has shown that the reassessment of the number of "marks of the old society" by the Marxists living in socialist countries has been far from adequate, and that the time required for the disappearance of these "marks" according to their calculation is far too short. The theoretical research conducted by the Marxists in this respect is not enough. Many problems arising in practice during these years are related to this inadequate knowledge. We are living in China, and from our practice and pondering during these years, we have a strong feeling that China is now in exactly the same situation. China comes from the womb of a feudal semicolonial. Although it has existed nearly 40 years, it still has the deep marks of the old society economically, morally, and spiritually, and these marks do not disappear along with those who have lived in the old society and are now dead. These marks may even be passed on to the future generations. We can also raise a point not mentioned in Marx's "Critique of the Gotha Program." The marks of old society come not only vertically from our own country's past, but also horizontally from other countries of the world. If we study these marks more deeply and extensively and understand them more thoroughly, I think we will gain fairly fresh knowledge of the entire historical period of the socialist society. This period is probably not 100 or 200 years; even the initial stage of socialism in China will last at least 100 years. Then how long will the historical period of socialism last?

The length of the entire historical period of socialism can be viewed in two different ways, namely, in a national and an international context. The length in an international context is certainly greater than in a national

context. However, it cannot be too short even in a national context. Many socialist countries in the world at present have problems in accepting the view that the socialist economy is still a commodity economy, and it will take some time to reform the existing system according to this view. The system of a socialist commodity economy has to be consolidated after being established. But this consolidation has to wait until actual success has been achieved in the practice of construction and the social productive forces have been markedly developed. Judging from the present level of development of their productive forces and from their imperfect socialist economic structure, I can say that none of the socialist countries has developed to a considerably high stage. A communist society is the result of an endless development process which may last hundreds, thousands, or even millions of years. If we view only a single stage of the communist society against the background of its endless development, we can see that its first stage, although lasting hundreds of years, is but a fleeting vision.

China, as we have ascertained, is now in the initial stage of socialism. The initial stage of socialism we are talking about is not the same as the initial stage in other socialist countries of the world because it has the special innate features of a developing socialist society from the womb of a semicolonial and a feudal society and still retains the deep marks of the old society economically, morally, and spiritually. This stage may include some sub-stages, and will be followed by higher stages.

The nine questions discussed here are all questions and set tasks within the scope of restudying socialism, but they are not all the questions within this scope. There are other very important ones which we know to be within the same scope, but have not raised for discussion. These questions concern, for example, the social collectives among which the contradictions of a socialist society frequently occur, the essence of contradictions in a socialist society, the motive force of development in a socialist society, the roles of individuals in a socialist society, the superstructure and ideology of socialist politics and law, the lifestyle under a socialist system, the superiority of the socialist system, and so forth. There are of course other questions which we have not thought of and which have not yet attracted our attention. All these questions must be restudied.

#### Footnotes

1. "Collected Works of Marx and Engels" Vol 1, p 418
2. "Collected Works of Marx and Engels" Vol 36, p 198
3. "Collected Works of Marx and Engels" Vol 2, p 615
4. "Selected Works of Lenin" Vol 3, p 540

**Conversation With Yan Jiaqi on Political Reform**  
40050227 Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 187, 16 Apr 88 pp 74-76

[Article by Wei Wu [7279 0124]: "High Regard for Yan Jiaqi in Top Political Circles"]

[Text]

**Yan Jiaqi's Blueprint For Political Reform**

For many years the ancient discipline of political science was regarded on the mainland as a Western bourgeois theory not suited to Chinese conditions. As events unfolded, particularly after the ideological liberation movement of 1979, a host of intellectuals bold enough to explore the status quo thought long and hard about the political changes over the past 30 years and began to feel the need to reexamine the crux of many issues. The Political Science Institute of the Chinese Academy of Social Sciences was formally established in 1979. Yan Jiaqi [0917 1367 0366], the current director of the institute well-known at home and abroad, was then a mere research intern at the institute. Thanks to the ideological liberation movement, he catapulted to fame after proposing the abolition of life tenure for party and government leaders at a theoretical meeting in 1979, a move which paved the way for his future pioneer status in the realm of Chinese social science research.

This writer was fortunate enough to have a rather lengthy conversation with Yan Jiaqi recently. Recalling his speech to the theoretical meeting, he said emotionally that his call for the abolition of the cadre life tenure system resulted from many years of thinking about the assorted maladies in China's political life. To his contemporaries who had reflected on the grave harm done to democratic life by the personality cult, Yan Jiaqi's viewpoint could be regarded as the trailblazer's clarion call, the perfect medicine for the ills of the time.

**CPC Making Progress in Political Reform**

Yan Jiaqi argues that there should be regular turnover in the head of state, head of government, and civil servants. The retirement system and supervisory and impeachment system are the basic requirements of democratic politics and an important means to ensure that power will not expand endlessly or be abused. Citing Zhou Enlai as an example, he noted that while the premier was energetic and uniquely talented, he showed signs of being unable to cope after a lifetime in the premiership.

Yan Jiaqi hopes that mainland experts overseas will take special note of the fact that the CPC is gradually establishing a cadre system under which party and government are separated and department leaders are held accountable. Provisions exist for cadres to resign or retire. There is judicial independence. Elections with more candidates than posts are being held. The functions of the people's congresses have been expanded. He

believes that if this is effectively carried out, it will satisfy a crucial condition for ensuring that the CPC Central Committee would exercise political power properly. As long as the cadre contingent is institutionalized, he argues, it does not matter if an incompetent person comes into power or even holds a leadership position at the national level because the use of power will then be merely a yardstick for measuring his leadership abilities, not an instrument with which he can safeguard his private interests. If necessary, the masses may transmit their opinion to the appropriate power-granting organ and have him removed from office through legally prescribed procedures.

**How To Set Up a Civil Service on the Mainland**

The cadre retirement question leads to the issue of the source of cadre power. Yan Jiaqi says that one practical issue he spends most time studying in recent years is how to establish a complete and sound civil service. Yan Jiaqi is a close observer of some despicable interpersonal relations rampant within the party—coat-tail effect, factionalism, absolute obedience to one's superior, but he is not surprised at them because power struggle and intrigues can be found in all power structures. The question is how to reduce to a minimum the negative impact of these common and unhealthy phenomena on the exercise of power by officials. Thus it is absolutely necessary to write into law the creation, promotion, dismissal, and punishment of civil servants. Once behavior norms have a legal basis, every civil official can exercise power openly and justly.

**The Power of Cadres**

A related question is the way power is granted to cadres. After studying the power structure in dozens of countries, Yan Jiaqi concludes that how power is granted often determines the extent to which power is exercised. A president elected by the entire electorate wields more power than a head of government that emerges from a parliamentary election. The U.S. President, for instance, is more powerful than the British prime minister. Before setting proper limits to the power of a nation's leading cadres, therefore, we must decide how cadres' power comes about. Yan Jiaqi thinks that while party cadres may be appointed or named by the higher levels, civil servants of the state, who are in charge of public interest, must be granted power through open and fair channels. The trouble on the mainland today is that the party, having replaced the government, makes cadre appointments and that the roles of party and government cadres are interchangeable. This situation must be improved as soon as possible. He also believes that the Taiwan practice of conducting examinations to choose civil servants at different levels is something the mainland can learn from.

**How He Looks at the Conservative and Reform Factions**

As a social science researcher, Yan Jiaqi is indefatigable and fearless in his pursuit of the truth. The three noes—"no taboo, no idol, no peak in science"—best describes

his approach toward learning. As a scholar who grew up in an environment long shrouded in political secrecy, what are Yan Jiaqi's own special feelings about realpolitik in China? To Yan Jiaqi, "politics is about compromise, the law is about right and wrong." Chinese politics is no exception.

He has often been asked in his meetings with overseas people in recent years what he thinks of the conservative and reform factions within the CPC. Yan Jiaqi believes that it is common, but unscientific, to divide the party into those two factions because the position of the Chinese Communist may vary from issue to issue and from time to time. A leader may be a conservative on a certain political matter but a radical when it comes to a particular economic issue. In fact, Yan Jiaqi's understanding is that the so-called "conservatives" and "reformers" at the CPC's highest levels have a good deal of respect for each other and are absolutely not locked in a deadly struggle, as rumors outside suggest. Yan Jiaqi emphasizes that in a political system where democracy has been institutionalized, it is unimportant whether the leaders have a conservative or radical ideological bent. What is important is that they have full say in the policy-making process and that they are duty-bound to carry out the decision once it is made. Similarly, it matters not whether a cadre is conservative or radical. What counts is that he is subject to reasonable restraints in his exercise of power and is punished effectively when he makes a mistake.

#### Increase Visibility, Establish a Consultative Dialogue

In Yan Jiaqi's analysis, Chinese communist affairs cause intense outside speculation probably because of the party's habit of not making public political life at the higher levels in the party. While the CPC need not emulate the U.S. Congress' way of debating major policies in public, it may learn from the American practice of bringing national politics into the open. He believes that the Chinese Communists' call for increased visibility and the establishment of a dialogue and consultative system represent efforts in that direction.

#### Officialdom and Academia Mutually Exclusive

Yan Jiaqi is an erudite and highly talented scholar as well as a high-ranking cadre with a bureau-level title. But he says there is a strange phenomenon on the mainland today: officialdom and academia are almost mutually exclusive. The reasons are quite complicated. One of them is that a scholar often asks questions which are taboo to the rulers and is therefore regarded as "politically unstable." An official, on the other hand, is probably most concerned to stay out of trouble and climb the ladder of success in a mercurial political environment, his scholastic and innovative needs downgraded to a very minor position.

Yan Jiaqi is very unhappy with this situation. He thinks that the adeptness of the U.S. Government in recruiting well-trained experts to join its ranks is something China should study and emulate. He also thinks that an important topic in cadre reform in the future is how to make scholars' and experts' useful suggestions part and parcel of party and government policies and principles and how to give leading cadres more leeway for innovation.

As for himself, Yan Jiaqi thinks that he still belongs to academia because he currently spends 80 percent of his energy on theoretical research in political science.

Realpolitik, however, sees to it that Yan Jiaqi cannot remain so detached. His "A 10-Year History of the Cultural Revolution," seen by the author himself as the "product of pure academic research," was considered by some people "a work of liberalization" and was almost banned. After a round of "compromises," its domestic edition became an overseas edition and open distribution became restricted distribution.

The needs of the struggles of realpolitik have propelled Yan Jiaqi to the center of the reform current. His friends told this writer that as a key member of Zhao Ziyang's brain-trust on reform work, Yan Jiaqi is often "consulted" by the general secretary. For instance, he was one of the drafters of the overall political structural reform plan finalized at the 7th plenum of the 12th CPC Central Committee.

People who know him well believe that although Yan Jiaqi deals with "politics" all the time, he is absolutely no boor given to flaunting his scholarship. Instead he makes suggestions after rigorous and careful thinking befitting a scholar. His ideas are sharp without being extreme, his opinions are far-sighted as well as feasible and practical, which is exactly the reason why he is well thought of by leaders of the reform group and has become a vital figure of that faction's think-tank.

#### The Four Cardinal Principles and Amending the Chinese Constitution

During his present trip to Hong Kong, Yan Jiaqi was asked a very sensitive question, "Is there a need to write the four cardinal principles into the Chinese constitution?" In both public remarks to the press and private discussions with friends, his response to the question time and again shows that behind his mild speech is a subtle and profound political philosophy. He thinks that there is a distinction between the preface of the constitution and the actual provisions. The former gives a factual account of the founding of the regime, whereas the specific provisions provide for the citizen's basic rights and lay down the constitutional amendment process. The constitution says that it is the citizen's obligation to abide by the four cardinal principles. In doing so, however, the constitution is merely stating an objective fact; there is nothing wrong with that. Yan Jiaqi argues that the political realities in a society result from its

historical evolution. As the supreme law of the land, the constitution must take into account historical practices and look ahead to the future as well. In his opinion, the trouble with the 1982 constitution is that it is too long and elaborate and that some of its provisions are inconsistent with realities. He proposes that the constitution be overhauled at the Eighth National People's Congress. It should describe the basic framework of the state briefly and to the point, stipulate the citizen's basic rights, and specify the constitutional amendment procedures. That may ensure constitutional stability for a good many years to come.

According to friends close to the top levels in Beijing, the higher echelons in the party intend to consider amending the constitution in the early 1990's to: 1) affirm the achievements of political and economic reform and 2) spell out the status of Hong Kong and Taiwan, among other things. Let's leave aside for the moment the question of whether this step means that the CPC has accepted Yan Jiaqi's proposal or whether it is a mere coincidence. The mere fact that a scholar's thinking coincides with the CPC's political moves is evidence enough that the party's policy-making process is becoming scientific and democratic.

#### **Making the World His Responsibility**

That Yan Jiaqi, a university graduate in engineering, can accomplish such outstanding social science research achievements must be attributed to something other than personal talents. Discussing the philosophy of life with him, this writer was deeply convinced that the positive philosophy of life of the Confucianists—"develop a moral character, do good deeds, and write great works"—had exerted a profound influence on this scholar, who grew up in the 1950's. To him, making contributions to society is the most worthy thing in life. Looking back at the "frightening course" of the anti-liberalization movement in early 1987, he said, "Even if your proposals are not accepted for the time being, even if you are treated unjustly, it is worth it as long as history proves you right."

12581

#### **State Organ Structural Reform Goals**

40050225 Beijing LILUN XINXIBAO in Chinese  
11 Apr 88 p 1

[by Liu Xinsheng [0491 2450 0524]]

[Text] The structural reform of state organs aims at improving the following five areas comprehensively. Specifically:

#### **1. The power structure**

Goal 1: Put an end to the unsound distribution of power between state organs at higher and lower levels. Expand the jurisdiction of lower-level state organs.

Goal 2: Adjust the distribution of power between state organs at the same level. Reduce the number of specialized management departments appropriately.

Goal 3: Eliminate the "omnipotent state." Establish suitable power-sharing mechanisms and mechanisms of social supervision and restraint.

#### **2. The functional system**

Goal 4: Overhaul the functions of state organs. Cut down on inter-departmental duplication.

Goal 5: Separate the functions of party organs from those of state organs. Administrative and managerial functions currently handled by party organs should be handed over to state organs.

#### **3. The organizational structure**

Goal 6: Eliminate unnecessary management levels. Improve the efficiency of state organs.

Goal 7: Reduce the span of control as appropriate. According to studies by management experts, the span of control of a high-level leader should range from 1 to 24 people, while a middle-level leader would be most effective when his span of control consists of 1 to 9 people.

Goal 8: Establish a permanent command system. There should be a single leader-follower relationship between higher and lower state organs.

Goal 9: Establish a sound administrative supervision and inspection system and gradually amplify its functions. Step up the supervision and inspection of state organs and personnel as they implement national policies and laws.

#### **4. Personnel system**

Goal 10: Based on the authorized staffing level, jurisdiction, responsibilities, and tasks, we should define each level's functions and sort out every individual's responsibilities. We should implement the system of personal responsibility in earnest within administrative organs.

Goal 11: Adjust the personnel's age structure. Solve the problem of having too many elderly people in the administration. Elderly personnel above a specified age should be retired in order to keep the organs vigorous.

Goal 12: Adjust the knowledge mix of the personnel. Encourage well-educated redundant personnel in high-level state organs to come down and work in grassroots organs.

Goal 13: Adjust the mix of specialties among the personnel. Put an end to the lack of management experts, particularly administrative experts, in state organs.

## 5. Technical Facilities

Goal 14: Locate interdependent and inter-related state organs as closely to one another as possible. Use advanced office equipment to facilitate work and improve efficiency.

Goal 15: Without lowering work efficiency, reduce administrative expenses and cut down on unnecessary spending by state organs.

12581

### **Qian Jiaju Discusses Utilization of Intellectuals** *40050164 Beijing QUNYAN [POPULAR TRIBUNE] in Chinese No 2, 88 pp 30-32*

[Interview with Professor Qian Jiaju [0578 1367 7467] by staff reporter Wu Zhishi [0702 1807 1395]: "Let Talents Show Themselves"]

[Text] On a very cold winter day, I came to the National Friendship Hall where the Fifth Plenum of the Fifth Central Committee of the China Democratic League was held and conducted an interview with Professor Qian Jiaju, vice chairman of the China Democratic League and a noted economist. The topic of the interview "what kind of environment shall we create to let talents show themselves" was thought out in advance and which was not a new issue any more. Numerous people who have the breadth of vision and are concerned with their country and people have spoken loudly on this issue. The revered Mr Qian has also on many occasions talked about this issue, which has a bearing on the fate of our country. But, I am still puzzled and do not understand why this issue has not attracted enough attention from the society as a whole.

The revered Mr Qian was reading a book under a warm light while waiting for me. As soon as I sat down, he started talking in a flow of eloquence. The revered Mr Qian's personality is well known. He is upright and outspoken, never covers up questions, and says exactly what he means. He has talked about the issues of intellectuals and talents on many different occasions and has never failed to point out the problem with one single remark. He said it is a tough battle and we have to keep talking before the problem is solved so as to fulfill our responsibility as an old intellectual to the country.

Comrade Zhao Ziyang recently repeatedly stated in the report of the 13th Party Congress: "We must create a better social environment to respect intellectuals and talents, continue to improve intellectuals' working and living conditions, and strive to make the best use of intellectuals and their talent." Where do we begin to achieve such a goal?

The revered Mr Qian held that respecting knowledge and talents and improving intellectuals' living and working conditions are obviously necessary because it is the basis

for making the best use of intellectuals and their talent. However, this alone cannot completely solve the basic problem of wasting and suppressing talents. He pointed out: Today we suffer from a personnel shortage on the one hand and overstaffing on the other, which is a very prominent contradiction caused mainly by restrictions on the flow of personnel. Human resources should be owned by the state, but now they have become the possessions of departments. The biggest defects of China's personnel system are "the iron rice bowl" and stifling control. Under the system of the "iron rice bowl," people's initiative cannot be brought into full play because whether or not one does a good job makes no difference and the slacker will not starve because the state will take care of them as long as they live. Since individuals have no right to choose their own job due to the emphasis on obeying organizational assignments, people cannot put their talent to good use. We copied personnel system from the Soviet Union, but we have now surpassed the Soviet in regard to exercising stifling control.

The revered Mr. Qian said that in Chinese history the prime time for the discovery of talents was the Spring and Autumn and Warring States Periods in which numerous schools of thought were established and their exponents recognized. Among the galaxy of talented people who were good with either words or swords were Confucius, Laozi, Mozi, Su Qin, Zhang Yi, Sun Wu, and Wu Qi. The main reason is at that time people could move about freely and in order to contend for prosperity and hegemony, all states scrambled to recruit people with talent whom could always move to Jin if Cu did not want them or move to Qin if Jin did not want them. But our current situation is that human resources are under stifling control, job assignments are made under a unified system, and people have no freedom of choice. Once a person is assigned a job by his organization, he is set for life and doomed forever. Things are a little different now, but the basic system has remained unchanged. Some people say if talented people are allowed to move about freely, everything will be in a muddle and nobody would want to go where conditions are hard. Don't you realize that the phenomenon of personnel outflow has already appeared, they asked. As a matter of fact, it is only a surface phenomenon. If you are afraid of losing people, why don't you think of something to make them stay? They will stay if you raise their pay, create better working conditions, and eliminate causes of personnel outflow. Preventing personnel outflow by suppressing and oppressing talented people can only dampen their initiative and make us lose them at the end.

After lighting a cigarette, the revered Mr Qian continued: In order to make large numbers of talented people come forward, another important thing is that we should know how to discover talents. He said: Chinese are very smart. Many Chinese students are among the best students of foreign universities. An American university cannot be called an ivy league university if it does not have some professors of Chinese origin. Why is it that

some of our average people become famous as soon as they go abroad? The rumor has it that "a worm at home will become a dragon abroad." Why do we need foreigners to "discover" intellectuals like Chen Jingrun [7115 2529 3387] who have made outstanding scientific achievements? the reason is worth our pondering. During the period of the Three Kingdoms, many heros appeared and they all knew the importance of enlisting wise and able men. For instance, Liu Bei made three calls at the thatched cottage and Cao Cao treated petty officers with great respect because they knew whoever has competent people, knows how to use them, and can discover and enlist their service will rule the world. Modern people ought to understand this principle, but it does not work in real life. They have to rank people by their seniority. I heard people say that in the 1970's an overseas Chinese came to teach foreign languages at a certain institute. This professor had a son who was fluent in foreign languages. After the professor died, his son was fully able to take his place, but his son could not even get in as a staff member because he did not have a record of formal schooling. He could only work as a temporary helper and later he went overseas. We would rather spend large amounts of foreign exchange to hire foreign specialists than hire Chinese. There have been many such instances. Why can't we make an exception to hire or promote someone if he is really talented? Such closed, small-peasant practices can only smother talent. I think it is related to the feudal tradition that has been around in China for several thousand years. Such a practice prevailed for a considerable period of time in our socialist country and has formed a pattern of logic which no one can break through. How can we tolerate this concept which is not only very wrong but dangerous?

The revered Mr Qian seemed to be a bit excited. After he calmed down a short while, I asked him another question: "You are now working on the appraisal of professional titles. Due to limited quotas in some places, many qualified people are turned down. How would you solve this problem?" He said: We have brought the mechanism of competition into economic reform, why can't we bring it into the reform of the personnel system? If the appraisal of professional titles is limited by quotas, there will be no standard to speak of. My opinion is that as long as they are qualified, they should get their titles no matter how many there are. Are we afraid that there are too many competent people? The Soviet Union is superior than us in this regard. When they get a PhD they will get a raise. Why do some of our students refuse to come back after they leave? What happens if they come back? How many of them are happy with their jobs after they come back, not to mention their pay? "ZHONGGUO QINGNIAN BAO" published a report a few days ago on what happened to 38 Chinese students after they returned home with MBA's from the United States. What happened after the state spent so much money to train them? Almost no one has put to good use what they learned. Isn't it depressing? What is more pitiful is that personnel departments act like irresponsible matchmakers when they assign jobs. What happens is that those

units which need people do not get any because their quota has been filled while those units which do not need people must accept what they do not want because they still have room in their quota. Schools train specialists, but graduates cannot put what they learned to good use. This is a vast waste to both the state and to the individual.

I asked: Where do we start to reform the personnel and employment system?

The revered Mr Qian replied: To carry out a thorough reform of the current personnel system, we should start first with personnel departments. He said: Current personnel departments have too much power which, without proper restraint, is bound to cause loopholes. The prevalence of such unhealthy tendencies as "entering by the back door" has a lot to do with personnel departments. That a slip of paper or a few words can change somebody's fate is a scary thing at any time. Therefore, we must break all rules and regulations of the personnel system. I do not think breaking old rules will cause a great deal of confusion. If it does, I am certain that the confusion will take place in those units which do not know how to make the best use of people.

It is only reasonable for someone to request a transfer if he cannot put his talent to good use in his unit. When this happens, leaders must first examine themselves to find out why people want to leave. They should ask themselves whether it has anything to do with the way they exercise their leadership, whether they have failed to make the best use of talent, and whether they have shown enough concern for the working and living conditions of their employees. If these are the reasons, they can be corrected easily. If for some reasons we cannot satisfy the demands of persons requesting transfers, why can't we just let them go to those units where they can be happier and put their talent to best use? Stopping people from leaving and ignoring applications for transfer for several years are unheard of in other countries. This is not a problem of efficiency, but a problem of system. The revered Mr Qian continued: I really like the experiment of some pilot cities on reforming the work style of government organs. If a lower level submits a report to a higher level for instructions and approval, the higher level must respond within a given period of time and failing to do so means that the report has been approved and that the lower level can act according to the content of the report. I think this practice should be popularized and applied to personnel transfers. When a cadre requests a transfer and fails to get a response within the given period of time, he may consider it approved by his organization and leave freely.

The revered Mr Qian switched subject from personnel to education. He said: Recently, the central government decided to give elementary school teachers a 10 percent pay increase which is a good thing but not good enough.

Education is the basis for personnel training, and ignoring education is bound to lead to grave mistakes. Investing a little more money in education today will bring about great returns in the future. But emphasizing education first is still not good enough because well-trained personnel mean nothing if they cannot put their talent to good use. Therefore, I think that in order to create an environment for talented people to come forth in large numbers, we must carry out systematic reform of the entire system.

At the end of the interview, the revered Mr Qian stood up from the sofa and spoke with deep emotion: "I

wonder if we can do what we did in the commodity economy—achieving the mechanism of competition through market regulation—to make the best use of human resources and see to it that all goods are well distributed and everyone has put his talent to good use. If we can do so, neither would we smother talent nor would we worry about personnel shortages."

I think the revered Mr Qian's words are worth our pondering.

12302

## NATIONAL AFFAIRS, POLICY

**Tian Yuan on Reform of Country's Property Rights System**  
*40060275 Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION, in Chinese*  
*No 11, 14 Mar 88 pp 3-4*

[Article by Dong Ruiseng [5516 3843 3932] and Ren Xingzhou [0117 5281 3166]: "Tian Yuan [3944 3293], Executive Director of the Economic, Technological, and Social Development Research Center of the State Council, Discusses Reform of China's Property Rights System"]

[Text] Achieving optimal allocation and efficient utilization of resources has long been the economic development problem facing all socialist nations. Since 1988, a concept which focuses on enterprise transactions, and which strives to integrate reform and development and establish a market for the exchange of property rights has attracted broad attention and has been deployed as a part of China's economic reform.

In order to understand better the rationale behind this major reform and how it will be implemented, the reporters recently interviewed the executive director of the State Council's Development Research Center, Tian Yuan.

### The Inevitable Choice of a State-Run Economy

Tian Yuan first made a concrete analysis of China's present economic situation. He said that at present, on the one hand, it is clear that China's collective enterprises, township enterprises, and private enterprises have flourished in recent years. On the other hand, the state-run enterprises have become more stagnant and inefficient. Today, state-run enterprises nationwide hold 600 billion yuan in fixed assets and operate more than 100,000 industrial enterprises. However hampered by defects in the traditional economic development strategies and the separatist economic management system, the circulation of fixed assets has been sluggish, and the transfer of property rights is simply out of the question. Enterprises which have been profitable and have achieved high technical standards cannot expand because of the lack of funds and physical space, and so they remain underdeveloped while the poorly managed enterprises which have made little or no profit perennially take up a substantial amount of funds, absorb huge sums of government subsidies, and have become a financial burden to all levels of government. If we fail to promptly reform the way property rights are managed in our state-run economy, faced with the formidable challenge posed by the collective, the township, and private enterprises, some of our relatively shrunken state-run enterprises will simply wither away.

Faced with this grim reality, what should the state-run enterprises do? During the second half of last year, the light industry department promulgated two sets of documents pertaining to the transfer of enterprise property rights: it allowed a well-known automobile plant to purchase an enterprise on the brink of bankruptcy, and it permitted the auctioning off of some unprofitable small enterprises. Since then, Sichuan, Beijing, Jilin, Wuhan, Zhejiazhuang, and other provinces and municipalities have, to various extents, embraced the development of the transfer of enterprise property rights as an important part of reform. It has been learned that up to now, more than a hundred enterprises have participated in the transfer of property rights with compensations. The transfers assume different formats: some are between parties in the same business and in the same locality, or different businesses in the same locality, and some involve parties in either the same business or different businesses in different localities. There are also transfers between state-run enterprises, and some state-run and collective enterprises are transferred to individuals, and so on. Of course, in the broad sense, the transfer of enterprise property rights includes not only the above forms of permanent transfer of the ownership of an enterprise but also the right to operate the business and the right to receive the profits for a certain period of time.

### The Public Ownership Theory Is in Need of New Breakthroughs and Development

In Tian Yuan's opinion, the theory of public ownership of the means of production is the foundation of socialist economic theories and processes, but facts prove that this is a shaky foundation because there is an inherent flaw in the theory of public ownership. This flaw lies in the over-emphasis on the public nature of the ownership of property rights and the ignorance of the mechanisms which allocate the public property rights effectively. This defect can be traced back more than a century to the traditional Marxist classics. For decades after the October Revolution, orthodox theories continued to view public ownership only from the point of ownership of properties and defined all practical relationships pertaining to the publicly-owned properties as a part of the state-ownership system. In addition the state controlled all means of production on behalf of the people. This was declared the highest form of socialism, and by inference all other forms of ownership systems should strive to make the transition. This kind of theory and practice led all socialist nations, without exception, to make the "ultimate transition" from the individual economy to the collective economy, and from the collective economy to the state-run economy. In most socialist nations, the state-ownership system covers basically all aspects of society. This system requires a planned economic mechanism which is characterized by a highly centralized state government, and also a management system which is compatible with that mechanism. Because this kind of economic system is plagued by serious defects, many

publicly-owned enterprises in the socialist countries tend to lack vitality, and the allocation of resources is inefficient.

In the 1950's, people began to have doubts about the theory behind the state-ownership system. Yugoslavia pioneered the effort to actively search for answers, both in theory and in practice. But they still put their emphasis on the ownership of properties and concluded that the means of production should either belong to the enterprises or to the people. Consequently, they originated the theory of "social autonomy" and put that in practice. Reality shows that this theory too is full of impossible contradictions and problems.

In recent years, Chinese theoreticians have also begun to question the theory behind the state-ownership system, and have put forth various ideas about different forms of ownership systems, such as "enterprise departmentalism," "ownership by legal entities," and "stock-ownership system." But these viewpoints still dwell on the issue of ownership of the means of production, and there has been no breakthrough in methodology. Actually, the study of the theory of public ownership should not be confined to who owns the means of production, but should include ways to allocate the publicly-owned properties; otherwise, we do not have a complete public ownership theory. Socialism in practice often fails to sufficiently address the latter aspect.

Tian Yuan said that to formulate a complete theory on public ownership, first, we need a breakthrough in methodology. We have to combine the theory on the allocation of properties with the theory on the ownership of properties, study the two together, and describe objectively a mechanism which functions effectively and produces benign cycles under a socialist public-ownership system. We also have to search for a mechanism which allocates the resources properly.

#### The Three Links Which Make the Public Ownership System Work

Tian Yuan said that theoretically, in order to make the public ownership system effective, we must grasp three interrelated logical links: the delineation of property rights, the management of property rights, and the circulation of property rights. These three links have an inherent relationship. In a regular economy under a public ownership system, the reasonable delineation of public property rights is the prerequisite to the proper exercise of those rights. After property rights have been delineated, the next step naturally will be to improve the management of those right, and form a proper body of organizations to manage the publicly-owned assets. These organizations have to compete with each other, and in order to ensure that their assets are safe and can multiply in a changeable market environment, they need a

mechanism which can freely transform the assets, that is, a mechanism which circulates property rights. Only under these conditions can the allocation of publicly-owned assets be rational.

However, what is logical in theory may not be logical in practice. The traditional Chinese economic system has been in operation for several decades and has become a formidable force of habit and custom. It will be difficult to make practical changes one by one according to all that is logical in theory. To be more specific, under the present conditions, it is not likely that public property rights will soon be redefined according to economic functions. The issue of ownership of properties cannot be resolved at the early stage of reform. The practical choice may be that the last link in theory would be the first link in practical reform, that is, first we allow the transfer of property rights, then we delineate those rights, and lastly, we manage those rights. In practice, property rights reform must begin with the transfer and circulation of rights.

#### The Significance of Promoting the Transfer of Enterprise Property Rights

In discussing the significance of promoting the transfer of enterprise property rights, Tian Yuan pointed out the following merits:

—It improves the overall efficiency in the management of state-run assets.

—It modifies the mechanism which circulates the publicly-owned assets and makes the enterprise structure more reasonable. The transfer of property rights allows the enterprises to compete and merge and gradually replaces the small though comprehensive enterprise structure with a large and comprehensive structure. It improves the enterprise structure and the industrial mix.

—It facilitates investment reform and increases the return on investments. At present, most investments in this country are spent on extensive reproductions. They not only use up physical space, but constructions take time, and duplications have already become a serious problem. If the well-managed enterprises can obtain capital construction loan funds to buy up the failing enterprises, it will significantly improve the return on investments.

—It facilitates better allocation of the newly increased assets. Changing the amount of accumulated assets by means of the transfer of property rights (in other words, circulate the fixed assets) can put society's existing productive forces to full use, make the accumulated assets more versatile, and change the allocation of resources through self-adjustments. The adjustment of the amount of accumulated assets will necessarily bring more investments (new investments) and rearrange them in such as way as to eliminate across the board expansion and duplicative constructions.

—It facilitates the establishment and strengthening of a market for the key productive elements.

—It gives play to regional superior factors and allocates resources to the most profitable businesses in the region.

The above analysis shows that among all reform measures, the promotion of the transfer of enterprise property rights is neither as risky as price reform, nor as difficult as financial structural reform. The risk is minimal, and the benefits are immense. At present, the nation's investment for each 5-year period is only 200 billion yuan, and if we can inject life into 200 billion yuan of existing assets, which at present are getting dismal returns, it is equivalent to speeding up China's economic development by a "5-Year Plan" period.

The initial success of the transfer of property rights proves without a doubt that it will necessarily mobilize the redefinition of public property rights, and demolish the abstract and one-dimensional state-owned property rights system. Property rights will be delineated according to the needs of the publicly-owned economy, that is, starting off from the actual conditions in China, the centralized state-owned assets will be transformed into many different kinds of public assets. Tian Yuan suggested that property rights in a state-run economy should adopt a mode of "tri-level ownership based on the property rights of the municipalities and counties." That is, we should clearly specify that the property rights of the state-owned assets belong to the central government, the provinces, and the municipalities or counties, and the last group is the foundation of this system. This means defining the present tri-level management right as a proprietary right. The reasons are, first, all levels of government have a natural bond with the publicly-owned assets. In a socialist economy only the government, which represents the interest of the people, can be the sole owner of all assets. Among the three levels of government, the municipal and county governments have the closest ties with enterprises and the market and are the best suited to make efficient use of enterprise assets. Therefore, they should have the lion's share, perhaps 60 percent, of the property rights to the publicly-owned assets. Secondly, from the point of what is essential for this country's economic development, relying entirely on the market to adjust the industrial structure and balance regional interests is not the best choice, because China is a vast country, and the development of the different industries, regions, cities and counties is uneven. The central and provincial governments must play an active role, and this requires them to have control of a substantial portion, perhaps 40 percent, of the rights to the public assets, so that they can adjust the industrial structure and balance the mix of regional benefits. The development of an enterprise property rights market will give momentum to this delineation of property rights, because examples of actual transfer of property rights in various areas indicate that all levels of

government have already assumed the identity of proprietor of enterprises under their jurisdictions when they participate in the exchange of property rights.

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### Xue Muqiao Discusses Planned, Market Economies

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[Article by Xue Muqiao: "Planned and Commodity Economies, Planned and Market Regulation"]

#### [Text] Abstract

*Our understanding of planning and markets has gradually deepened and improved since the 3d Plenum of the 11th Central Committee. The concept of socialist planned commodity economy represents a major development in the Marxist theory of socialism.*

The best economic model for China during the preliminary stage of socialism is to use state planning to exercise good macroscopic control over the national economy and market regulation to invigorate the microscopic economy. Macroscopically we must exercise effective regulation through planning, and microscopically we must give full play to the regulative role of the marketplace. Thus it is said that this economic model integrates planned and commodity economies and regulation through planning and the market.

We must learn to use economic measures to effect macroscopic control and to fully exploit the efficacy of fiscal measures, especially banking. At present, controlling the money supply is the most important key to macroscopic control. We must employ strict monetary policy to restrain bank credit, especially for construction, and use wage and tax policies to prevent excessive growth in consumption so as to ensure basic balance between aggregate supply and demand.

"Price reform is key to the success or failure of our entire program of economic restructuring" is a correct assessment. The precondition for price decontrol is eradication of inflation, and the eradication of inflation depends upon restoration of the balance between aggregate social demand and supply. We hope that within the next 3-5 years we can gradually balance aggregate social demand and supply and, as this is done, reorder prices step by step, establish a better system of macroscopic control, enliven the microeconomy, open up markets and invigorate enterprises.

### I. The Process by Which the New Theory Developed

A correct understanding of the interrelationship between planned and commodity economies and between planned and market regulation is of fundamental importance to proper understanding of the laws by which socialist economy operates and to determining what kind of guiding policy we should select for our program of economic restructuring.

For nearly 30 years after the founding of new China, we treated planned and commodity economies as antagonistic, believing that planned economy is socialist and commodity economy, capitalist and that the two economies were incompatible. Influenced by this thinking, we adopted the Soviet system of planned management, subjected the economy to stifling centralized control and distributed the means of production through planning, not through the market. And though we did use the market to distribute consumer goods, major consumer products were subjected to planned procurement and marketing. Thus production became divorced from demand, planning became divorced from the marketplace, and the entire economy ossified.

In December 1978, the 3d Plenum of the 11th CPC Central Committee reaffirmed Marxist ideological and political lines; made the strategic decision to shift the emphasis of our work to socialist modernization; called for a readjustment of the proportionate relationships within the national economy; and made the first calls for restructuring economic administration, opening up to the outside world and invigorating the domestic economy; and thereby drew everyone's attention to restructuring and to the relationship between planning and markets.

Under socialism, the relationship between planning and markets is very complicated, and correct understanding of this relationship naturally has developed slowly and progressively. The communique of the 3d Plenum of the 11th CPC Central Committee did not clearly deal with the relationship. In a speech delivered in March 1979, Comrade Chen Yun stated, "Throughout the entire socialist stage, the economy will have to have two components, a socialist sector (that for which proportionate planning is required), and the sector that is regulated through the market (that is to say, for this sector there is no planning; instead, the sector carries out production based on changes in market supply and demand and so may be said to be "blindly" regulated). The first sector is fundamental and primary; the second is subordinate and secondary, but also necessary." What Comrade Chen referred to as the market sector included only those elements that are not incorporated in planning and not those things that are subject to state guidance planning using "economic measures." Later, many comrades began to describe guidance planning as a "combination of planned and market regulation," thereby appropriately expanding the realm of market regulation, an approach that is in line with common

international practice. In his report to the 12th National Congress of the CPC in September 1982, Comrade Hu Yaobang stated, "A fundamental issue in economic restructuring is correct implementation of the principle of ensuring planned economy plays the leading role and is supplemented by market regulation."

The interpretation of reform included in this report marked an advance over that of the 3d Plenum of the 11th Central Committee. The report stated that command planning is not the only form of planned economic management and that guidance planning, which is effected principally through economic levers, can also be used. Though advancing our understanding of reform, the report reduced the scope of market regulation, limiting such regulation to minor commodities not subject to planning, so many foreign economists misinterpreted this as a move by China to reduce the role of market regulation and as a retreat in our program of economic restructuring. I have repeatedly explained at a number of international academic symposiums that China's reform is not in retreat but rather is moving forward. And that in fact is the case. For we have steadily reduced the number of industrial and agricultural products subject to planning and increased those totally regulated by the market. And, of those goods that are included in the state plan, we have steadily reduced the number subject to command planning and increased the share subject to guidance planning, which in fact combines planning and market regulation and in other words means market regulation guided by planning. Thus, in general, market regulation in China is expanding, not declining.

The "Decisions of the CPC Central Committee Concerning Economic Restructuring" passed by the 3d Plenum of the 12th CPC Central Committee in October 1984 made a major breakthrough on this issue, stating, "We must first rid ourselves of the traditional notion that planned and commodity economies are antagonistic and clearly understand that socialist planned economy must consciously follow the law of value and is planned commodity economy that is based on the system of public ownership.... Carrying out planned economy and using the law of value to develop commodity economy are not mutually exclusive but are one and the same, and it is wrong to treat these things as antagonistic.... We should further summarize the basic points of China's planning system as follows. First, generally speaking, China practices planned economy, which means planned commodity economy, not an economy that is regulated entirely by the marketplace. Second, the things that are to be subject entirely to market regulation are a number of agricultural and sideline industrial products, minor daily essentials, and repairing and other services, all of which play a subsidiary but indispensable role in the national economy. Third, practicing planned economy does not necessarily mean relying primarily on command planning, for guidance planning, as well as command planning, is also a concrete form of planned

economy. Fourth, guidance planning is effected primarily through economic levers. Though necessary, command planning must employ the law of value." These interpretations represent a major advance in the Marxist theory of socialism.

Why must socialist societies develop commodity economies? This question was succinctly explained by Comrade Zhao Ziyang in his March 1986 "Report on the Seventh 5-Year Plan": "The full development of commodity economy is not a stage that socialist economic development can skip over. During the socialist period, a country, especially an undeveloped one like ours, must vigorously develop its commodity economy if that country hopes to make its production highly socialized and modernized, rapidly develop its social productive forces and steadily improve its people's material living standards. This is an objective law that cannot be altered by human will." Using Marxist historical materialism, he explained that capitalist and socialist societies share a common feature, in that they both must develop their commodity economies, and he pointed out the differences between the commodity economies of the two systems, stating: "Overall, what we must develop is a socialist commodity economy, which is based on the public system of ownership, carries out the principle of distribution according to work and is planned and controlled." And in his report to the 13th CPC National Congress in November 1987, Comrade Zhao developed this theme, stating, "Socialism maintains a planned commodity economy, which should be a system in which planned and markets are organically integrated.... Our task is to master the use of both plan and market regulation and to realize their potentials. We must base planning work on commodity exchange and the law of value." These statements represent a further development of the above ideas.

## II. Macroscopic Control of the National Economy

I believe that the best economic model for the preliminary stage of socialism is to use state planning to exercise good macroscopic control over the national economy and market regulation to invigorate the microscopic economy. For good macroscopic control is a prerequisite for microscopic invigoration, and microscopic invigoration is the key to eliminating the rigidity that used to plague socialist economies and to fully unleashing the vitality of these economies. Since socialist commodity economy is predicated on public ownership of the means of production, this economy can and must effect macroscopic control so as to ensure that the entire national economy develops in a planned, proportionate way. This is why we call this economy "planned commodity economy." This type of economy naturally eschews the previous practice of using administrative measures to effect planned distribution and seeks gradually to replace that practice with market commodity exchange. A key element of our economic restructuring program is to determine how we can gradually transform planned distribution into market commodity exchange guided by

planning. To make our commodity economy follow the guidance of state planning, we must strengthen macroscopic control of the national economy. Macroscopically, we must carry out effective plan regulation, and microscopically we must give full play to the regulative function of the marketplace. Thus we can say this economic model integrates planned and commodity economies and regulation through planning and the market.

It would seem *prima facie* that, with our old Soviet system, it would have been easy to use macroscopic control to achieve a basic balance in aggregate social supply and demand (which would have been concretely manifested as a basic balance in budgets, credit and supply of and demand for goods and materials) and to balance the various sectors of the national economy. But in actuality, under the old system the national economy lacked vigor, economic results steadily declined, and even though production grew at a rapid rate the people's standards of living failed to improve, because production frequently was divorced from market demand. In the areas of production and construction, enterprises lacked authority over extended reproduction, and even their authority over simple reproduction was fettered by centralized procurement and marketing. This situation made it difficult to improve technology and to upgrade products in response to market demand. In addition, enterprises ate out of the "same big pot" and fared the same whether they earned or lost money; their employees became enamored of the "iron rice bowl," which granted the same rewards whether performance was good or not; so it was hard to get people to work hard. Thus unless we restructure our economic system, we will not be able to give full play to the superiority of socialism, and socialism cannot triumph over capitalism.

Since the 3d Plenum of the 11th Central Committee, fiscally, our economic restructuring program has eliminated the centralized budgetary system and permitted localities and enterprises to retain a certain amount of funds for themselves. Under this system, localities may set up new enterprises as required by market conditions or carry out technological transformation within existing firms, enterprises may use their funds to refurbish or expand their plants, and the workers demobilized through streamlining may be employed to set up new enterprises as required by market conditions. The smashing of vertical and horizontal barriers in recent years has facilitated economic cooperation and the development of horizontal ties between regions, between enterprises and between regions and enterprises. In addition to state and collective enterprises, many individually run enterprises have developed, and these have given rise to a few private enterprises that employ non-family workers. In the past, capital construction was almost entirely dependent upon budgetary allocations but now can be funded with the moneys retained by localities and enterprises or with bank loans. These developments have created new problems for macroeconomic control. In the past, employee wages were uniformly fixed by the state, but now, in addition to planned

raises approved by the state, enterprises can use a small part of their retained funds to increase wages or distribute bonuses. Thus we must also bring consumption funds under macroscopic control. State budgetary allocations are easy to control, but the state has difficulty controlling fund use by localities and enterprises (being able only to establish certain principles governing use of such funds). The state can control bank loans by controlling the amount of money in circulation, but we lack experience in this area. In the past, our macroscopic control was exercised primarily through the budget, but now we must use two channels—budgetary and banking. Banking operations are gradually eclipsing budgetary controls in importance, and the question of how we can manage these two channels more effectively is a new issue confronting our program of economic restructuring.

Socialist countries have long employed the Soviet model of economic management and thus, in their restructuring programs, are inexperienced in the use of indirect, economic control measures and have therefore found it difficult to prevent macroscopic imbalances in their national economies and excessive capital construction and consumption expenditures. Consequently, the combined growth of money investment and consumption outlays has outstripped the expansion of national income in these countries. Since 1985, we have consistently called for a reduction in construction and for wage and bonus controls so that we can gradually restore control over the economy. But the actual effects of these efforts were that year after year fixed capital investment and wage-bonus increase rates exceeded planned levels. In 1986, fixed capital investment and wage-bonus increases grew less rapidly than they did in 1985, indicating that we had regained some control. But these rates remained higher than the growth rates for output of the means of production and of consumer goods, so the problem had not been fundamentally resolved. The plan for 1987 called for holding fixed capital investment at the 1986 level and, to facilitate readjustment of the productive structure, put forward the "three assurances and the three restraints," namely, ensuring that we stay within the plan, guaranteeing completion of key projects, assuring completion of productive construction and restraining out-of-plan, non-key and nonproductive construction. But it now appears that it will be hard to avoid exceeding the plan and that the "three restraints" policy will be difficult to achieve in the short term.

Many foreign economists claim that "investment starvation" and competition between investment and wages and bonuses frequently occur in socialist countries when these countries undertake economic restructuring, that these countries' aggregate social demand therefore exceeds their total social supply and that this stubborn malady seems incurable. We believe that the malady certainly does merit careful attention but that we can escape these straits if we master the use of economic measures to effect macroscopic control and strive to maintain balance between aggregate social demand and supply. As I said above, the primary macroeconomic

control measures are budgetary and banking controls. We have more experience with budgetary controls. Budget deficits occurred in 1979 and 1980, but the budget was gradually balanced thereafter. Deficits occurred again in 1986 and 1987, not because planned capital construction investment increased too much but because of the fact that economic results had declined due the overheating of the 2 previous years, necessitating 60 billion yuan in enterprise-loss and price subsidy outlays, 7 times greater than the deficits (7 billion yuan). The basic way to eliminate budgetary deficits is to reduce overheating, rebalance aggregate social supply and demand, reorder economic relationships—particularly those between prices, and improve enterprise economic results. Thus we can by no means terminate but rather must advance restructuring.

Bank measures are the weak link in our macroscopic control system. Since the fourth quarter of 1984, specialized banks have been granted authority, within limits, to issue loans as they please. But lacking experience, these banks have used their loans to fund fixed capital investment, causing construction to grow too much. And in the fourth quarter of that year we issued a large quantity of currency to buy up the bumper harvest of agricultural produce. In 1985, we began to control bank credit, but due to the overexpenditure on construction, many new factories lacked circulating funds after going into operation, so we were forced to increase the money supply again. Processing industries grew too rapidly, and supply of energy and raw materials could not keep pace, which led to a decline in enterprise economic results. In 1986, we began restructuring bank management systems; having the banks adopt economic measures—namely, the practices commonly used in the banks of other countries—to manage themselves; smashing the "big pot" system of distributing funds; encouraging banks to gather up idle funds and "use deposits to defray loans"; encouraging lateral financing among regions and specialized banks; and establishing financial markets. Only by improving banking and the financial system can we resolve the contradiction between excessive money supply and the lack of circulating funds. Marked progress has been registered in this area over the past 2 years.

The most important financial control measure is control of the money supply. Capitalist countries use monetary policies to effect macroscopic control over their national economies. From the 1950s to the 1970s, these countries adopted Keynesian economics in an effort to evade the economic crises that inevitably occur in capitalist systems, using deficit budgets and inflation to stimulate investment. But by the late 1970s, many of these countries began to experience double-digit inflation. And to prevent collapse of the monetary system, the United States, the U.K. and other countries began to employ Friedmanian monetarism to bring their money supplies under control and were even willing to accept negative growth rates in their GNPs during the first several years of the effort.

During the first quarter of 1981, China "slammed the brakes" on bank credit, causing industry to register a negative growth rate in the quarter and reducing the industrial growth rate for the entire year to 4.1 percent. Still, this move caused fixed capital investment to decline by more than 1 million yuan during the year, which reduced economic pressure in 1982 and 1983. Having learned our lesson from this experience, we have since 1985 avoided "brake slamming" and sought instead to "soft-land" bank credit so as to maintain higher industrial growth rates. The drawback of this approach, however, is that investment grew too rapidly and we were unable to check this growth. The correct approach would be to restrain construction by controlling the money supply. But we are still allowing construction to expand blindly, which is stimulating expansion in the money supply. We must quickly turn this situation around.

The monetarist practices employed by Western countries are very different from our own. The contradiction between socialized mass production and private ownership of the means of production in these countries often results in overproduction and insufficient demand, so these countries once turned to Keynesian economics to stimulate demand. But Keynesianism could not provide a fundamental solution to the problem and instead caused prices to spiral, resulting in the vicious circle of stagflation. Now these countries are using monetarism, which has reduced inflation rates a bit but also slowed production growth rates. The current crash in stock prices, which stems from gloomy economic prospects, is brewing up a new economic crisis.

Overproduction is not a common problem in socialism. What usually occurs in our countries is excessive demand and insufficient supply. With these problems, it is even more imperative that we strictly control our money supply. And even if this policy adversely affects a few processing industries that overproduce, causing their production growth rates to decline for a while (perhaps to 5-6 percent over a 2-3 year period), the policy will facilitate readjustment of our productive structure, improvement in economic results, creation of a better economic environment (in which there is a general balance between supply and demand), and acceleration of economic restructuring, especially readjustment of our price system. Thus the policy will help reduce loss-and price-subsidies and thereby help balance the budget. Of course, while holding construction down, we must also restrain consumption funds and keep the growth in wages a little lower than improvements in production and labor productivity. In the "Explanations of the Proposals for the Seventh 5-Year Plan," Comrade Zhao Ziyang stated, "It must be understood that strengthening macroscopic indirect control is also an important component of reform and is even more complex and difficult than microscopic invigoration and direct control, and we have less experience in this area. Only by resolving this matter can we integrate it with our current reform and

lay the groundwork for greater enterprise invigoration so that enterprises can respond aggressively to changes in the marketplace."

Macroscopic control of the national economy is not unique to socialist countries. Capitalist nations divide the field of economics into macroeconomics and microeconomics. Japan, France and other countries have economic plans, Western Germany calls its economy a "social market economy," and the United States changed its economic policy to monetarism during the late 1970s, claiming the change was a move away from state interference, but in fact used control of the money supply (as well as budgetary and tax policies) to effect macroscopic control. Still, capitalist economies are based on private ownership of the means of production and maintain no price controls, and thus their macroscopic controls are very weak and cannot prevent blind economic growth. Socialist economies, on the other hand, are rooted in public ownership of the means of production, employ much guidance planning as well as a small amount of command planning (for things that have a decisive impact on the national economy) and thus are much, much more planned than are capitalist economies, even though the prices for the vast majority of commodities have been decontrolled in socialist economies. Thus so long as we master use of the tools of budgetary policy (principally taxation) and banking (primarily money supply), we can exercise more effective macroscopic control over our national economies. It is precisely because we have the option to use administrative control measures that we have often abused these measures and neglected to employ indirect, economic tools, such that the latter failed to fill the breach when we relaxed the former, thus resulting in loss of macroscopic control over the economy. In our program of economic restructuring, we must master the use of indirect, economic control measures and give full play to the role of fiscal policy, especially banking. At present, bringing the money supply under control is the most important key to macroscopic control. We must employ strict monetary control measures to restrain bank credit, especially for construction, and employ wage and tax polices to prevent excessive growth of consumption and to ensure basic balance between aggregate social supply and demand. This is crucial to advancing economic restructuring.

### III. Make Full Use of the Regulative Function of the Market

The "Decisions of the CPC Central Committee Concerning Economic Restructuring" stated that economic restructuring must successfully "control and manage the big realm and decontrol and invigorate the little realm." Decontrolling and invigorating the little realm (i.e., the microeconomy) involve expanding the autonomy of state enterprises so that they become commodity producers and dealers that are more independent, manage themselves more autonomously, practice more independent accounting and bear greater responsibility for their

own profits and losses and can thereby freely compete in the marketplace in such a way that the fittest vanquish the unfit. But to achieve this, we must first restructure the irrational price system. Thus the "Decisions" added, "Prices are the most effective regulative tool, and rational prices provide the most effective assurance that the national economy will be vigorous but not chaotic. Thus price reform is key to the success or failure of our entire program of economic restructuring." Price reform must gradually reduce planned price controls and give full play to the regulative effects of the law of value so that market prices are basically brought into line with value. This will enable enterprises to compete on an equal footing and bear responsibility for their own profits and losses. Only in this way can we give full play, guided by planning, to the regulative role of the market, so that production is brought into line with demand and can promptly respond to changes in market conditions, and so that we can thoroughly rectify the previous irrational situation in which, under rigid planned management, production frequently became divorced from market demand.

In "Economic Problems of Socialism," Stalin noted that commodity exchange also exists in socialism and thus that socialism must follow the law of value. But what he meant by this was that planned prices must be established for myriads of goods and that those prices must constantly be adjusted as commodity values fluctuate. Under this system, commodity value is equal to the amount of socially necessary labor expended in production, which labor includes both human and materialized labor, the latter of which consists of raw materials, wear of equipment and machinery, and the like. The value of raw materials includes human and materialized labor. And for human labor, we must convert complex labor, involving high levels of technical skill, into simple labor. Thus direct computation of commodity value (labor expenditure) is very complex, and at present no statistical agency of any country can accurately calculate socially necessary labor expenditure. The current practice is to take production costs and add to these an average rate of profit. But costs include wages, raw materials consumption, depreciation of machinery and equipment, and so on. Thus to set planned prices correctly, we must assume that wages are paid in accordance with the actual value of the work rendered and that prices for raw materials and other goods are actually in line with the value thereof. But these conditions do not yet exist. Moreover, prices must also be responsive to changes in supply and demand. This is especially true in the case of fruit, vegetables and the like, whose seasonal prices can vary up to more than tenfold, and without such seasonal price differentials we cannot ensure balance in market supply and demand for these commodities. The Soviet Union has tried to readjust its planned prices several times. Yet each time, it took 1-2 years to compute everything, and when the readjustment was completed, conditions had changed greatly. Thus the

simplest way to bring prices into line with value and with changes in supply and demand is to let the law of value operate spontaneously in the marketplace.

When production levels and standards of living were low, there was little variety in product types, specifications, design and color, so it was relatively easy to set planned prices (even then, of course, prices inevitably became divorced from value). But once production levels and standards of living improved, demand for variety steadily increased, and rigid planned prices naturally dampened enterprise enthusiasm for improving quality and upgrading products amidst competition. The intense competition and the steady stream of new products that have emerged from the food, clothing and other industries over the past several years are the obvious products of price decontrol. The 1985 decontrol of meat, poultry, egg, fish and other nonstaple food prices greatly enriched supply of these goods, and we will never be able to maintain flourishing markets if we reestablish rigid planned prices for these goods. When we decontrol prices, we must also open up markets and transform state monopolies into a variety of channels including state, collectively and individually run units. Monopolistic operations beget monopolistic prices, whereas multiple channels spur free competition in the marketplace and induce producers and dealers continuously to improve quality, increase variety, provide more colors and designs and reduce prices for slow moving goods so as to increase sales thereof. Only free competition can prevent enterprises from arbitrarily raising prices just to make more profits.

Take fruit and vegetables for example. In 1982, Beijing's watermelon production reached 100,000 tons, yet it was hard both to sell and to buy this product due to state monopoly of the trade. A surfeit of peasant watermelons could be found jammed in front of procurement stations, yet urban residents could not buy the produce because there were not enough sales outlets. State companies posted list prices once a day and were not permitted to reduce prices when supply increased and thus had no choice but to let the melons rot. In 1986, output exceeded 300,000 tons, but because a variety of channels, including state, collective and individual, had been created, and because prices had been decontrolled, purchase and sales both were brisk, and no melons were left to rot (the situation was the same in 1987, too). In the past, you could procure a watermelon only in July, August, and September, and even then supply was tight. Now, though, southern watermelons can be shipped to Beijing for sale even out of season.

Consumer good markets have basically been fully opened. These markets, however, have a number of shortcomings, which are that many cities do not provide enough vendor stands, supervision has not kept pace with the growth in markets, and thus there are many loopholes for crooks to sneak through. So the system requires improvement. As for the means of production, excessive construction over the past several years has

caused demand for many of these goods to continue to outstrip supply thereof, and thus we still cannot abandon planned allocation of these goods. But with the rapid development of production and construction undertaken by localities, collectives and individuals, exclusive reliance on the single channel of planned allocation clearly will not suffice any longer. We therefore have no choice but to permit more negotiated trading of these goods, to allow prices to be decontrolled for output exceeding planned allocation targets and to allow the market to regulate things. The share of planned allocation in total output of the means of production is gradually declining, while negotiated procurement is growing in importance. In the past few years, of all the means of production, save energy, steel products have been tightest in supply. And, because these products are primarily distributed through planned allocation, it is they that are the most overstocked, with inventories exceeding 30 million tons (whereas Japan maintains only 50 million tons), the equivalent of approximately three-fourths of total annual output (about 40 million tons). The lesson we have learned over many years is that steel inventories grow as supply tightens (because enterprises, fearing price rises or that steel will be unobtainable, stock up on the product). Western steel markets are open, so people in these countries can purchase steel whenever they need it, and thus these countries never keep more steel in stock than they need in one month. By contrast, inventories in our country frequently exceed six months' supply. This great waste is clearly caused by excessive construction and by the planned allocation system. In the last 2 years, many cities have begun establishing steel markets on which enterprises can exchange steel, so as to readjust surpluses and shortages. Although this approach has yielded some results, steel inventories have yet to be reduced. Thus we must broaden steel markets and guide most of our 30 million tons in inventories out into the market. There is also a wide variety (10-20,000) of steel products, each having different specifications. Foreign steel industries employ many people to handle marketing work, so we clearly cannot balance steel supply and demand solely through planned allocation effected by producer goods and materials departments.

Two channels and two prices have been used for the means of production, which approach has to a certain extent helped balance supply and demand for these goods. But continuing shortages, the serious lack of open markets and the large gap between the two sets of prices we employ have produced great differences in the costs borne by production and construction units who use centrally distributed and negotiated-price producer goods and materials, make it impossible to evaluate the economic results of these enterprises and prevent the firms from engaging in free competition. To fundamentally solve this problem, we must, first, restrain construction so that production and demand for the means of production are better balanced and, second, widely disseminate exchange markets for and thereby facilitate market regulation of these goods. If these two things are accomplished, negotiated prices naturally will come

down (this has already happened in the case of coal). And if we appropriately increase planned prices, the gap between the two sets of prices will gradually diminish. This will pave the way for a transition from planned distribution to market regulation for these goods. Naturally, to ensure completion of key production and construction projects, we must retain planned distribution for some of these goods, and we can even use command planning to place orders for such goods. But we must gradually reduce price subsidies (imported steel products should be priced in accordance with the costs of importing the products and not at domestic rates; and any losses resulting from this pricing method should be subsidized by foreign trade departments) so as to enable enterprises to carry out accurate economic accounting and to facilitate comparison of enterprise economic results. This approach provides an effective means of reducing and even eliminating budget deficits.

Over the past few years, the failure to restore full control over the economy and the excessive growth in the money supply has made it hard to stabilize prices, so we have had to slap on strict controls, which has led to new distortions, just as price reordering was about to be completed. Seeing these difficulties, some theoretical workers have begun to wonder whether or not we ought to abandon the correct thesis that "reform of the price system is key to the success or failure of our entire program of economic restructuring" and to expand enterprise autonomy without undertaking price reform. These workers even want to bypass the whole issue of balancing aggregate supply and demand and yet think we can balance prices under inflationary conditions. People engaged in day-to-day economic work, of course, must come up with a variety of plans to deal with current problems whenever these cannot immediately be solved. But theoretical researchers ought to rise above such temporary conundrums and seek to identify the proper directions in which we should proceed. We cannot avoid running into a few problems here and there in economic restructuring, but temporary setbacks should not deter us from achieving our goal of creating a socialist planned commodity economy. The direction set forth in the "Decisions Concerning Economic Restructuring" passed by the 3d Plenum of the 12th Central Committee is correct, and the "Decisions" represent a great advance over all the documents issued since the 3d Plenum of the 11th Central Committee. But even if, owing to a lack of experience in this new situation, we lose control of a few things and thus encounter some detours along the way, theoretical workers must take a broad and long-term view and identify the path China's restructuring inevitably must follow. The task of theoretical workers is to explore the ways by which we should build socialism bearing Chinese characteristics, and to do this they must rise above temporary problems, summarize experience, find out how we can establish a better system of macroscopic control (plan regulation); how, with such a system, we can invigorate the microeconomy; how we can exploit the regulative function of the law of value—an issue that is particularly important; and, in other words, how,

guided by planning, we can make full use of the regulatory role of markets, decontrol markets, and invigorate prices. Theoretical workers must point out the direction in which our economic work must advance.

Many comrades fear that, once invigorated, prices will spiral. Theory and historical experience tell us, however, that widespread price increases representing a decline in the value of money are produced by inflation. At present, China has two kinds of price increases. The first type involves important commodities whose prices were forcefully repressed in the past, causing production to fall so that market demand could not be met. To ensure supply of these goods, we had to decontrol their prices and could no longer keep those prices low. The decontrol of nonstaple food prices in 1985 falls into this category, which we call "structural price readjustments." As for the second type of price increases, inflation enabled purchasing power to greatly outstrip market supply, which caused prices to surge across the board. Under these conditions, if we try to repress prices, we will be able to fully check the prices we can control, so these prices will be lower than the value of the goods they represent. But the prices we cannot control will face an onslaught from the extra currency that can no longer chase the goods whose prices are now controlled and thus may rise at a clip that exceeds the inflation rate, which situation will create new price distortions. Within a few more years, we will have to carry out another structural price readjustment. In addition, the goods that are now priced too low will create losses, which will necessitate additional subsidies, and the budget deficit that might ensue from this will set off another round of inflation. If we do not resolve to break out of this predicament, we will not be able to strengthen macroscopic control, dodge inflation and thereby pave the way for reordering of the price system and restructuring of the entire economy; planned commodity economy will not emerge; and vigorous socialism bearing Chinese characteristics will prove unachievable.

Of course, it is also true that we cannot decontrol all prices. Monopolistic prices such as electricity and rail transport fees are easy to set and can and should be fixed by the state in a unified way. We must carefully watch the many goods that are monopolized by a few big enterprises and prevent these firms from exploiting their monopolies to increase prices. Prices of grain and other agricultural produce are also subsidized in many capitalist countries. And due to current conditions (inflation), some prices that should be decontrolled will have to be decontrolled gradually, and we will have to consider carefully the ability of enterprises and the people to endure such decontrols. The precondition for price decontrol is eradication of inflation, and the eradication of inflation depends upon restoration of the balance between aggregate social demand and supply. It may take us another 2 years before we can accomplish these things. During this period, we will have no choice but to strengthen control over prices and to continue our effort to expand enterprise autonomy, even though prices still

will not have been reordered. As long as prices are not fully reordered, accurate economic accounting is impossible, and enterprises will not be able to compete on the same footing. In view of these problems, we cannot thoroughly effect the "changeover from profits to taxes" and will have to supplement income taxes with regulatory taxes and have enterprises sign responsibility contracts that are designed for their specific situations, which will make it impossible to standardize our economic management work. This entire approach probably will be used only as a temporary expedient pending price restructuring and does not necessarily represent the final form of our plan for enterprise restructuring. We must strive to balance aggregate social demand and supply step by step within the next 3-5 years and, as this is done, gradually reorder prices so as to enable enterprises to compete on an equal footing, the fittest firms to vanquish the unfit and the socialist economy to become fully invigorated. Since socialist economy is based on public ownership of the means of production, we can use the surplus value that is normally appropriated by the capitalist class to expand reproduction and improve the people's material lives. As commodity economy and free competition guided by planning develop, the superiority of the socialist system will be clearly manifested, and a vigorous system of socialism bearing Chinese characteristics will surely be achieved.

12431

**Contracts for First Quarter Not Fulfilled**  
*HK0506072888 Beijing JINGJI CANKAO BAO in Chinese 24 May 88 p 1*

[Report: "State Statistics Bureau Data Shows that Delivery Contracts of Products Under Unified State Control Are Not Fulfilled in the First Quarter of this Year"]

[Text] Data provided by the State Statistics Bureau show that although production and sales of 18 products under unified state control increased in the first quarter of this year compared with the same period last year, the state goods delivery quotas for them were not fulfilled. The rate of contract fulfillment for nine products including coal, pig iron, cement, and copper was lower than in the same period of last year.

The rate of contract fulfillment for rolled steel was relatively low

According to the contract, the iron and steel enterprises under unified central planning had to deliver 4.725 million tons of rolled steel to the state in the first quarter of this year, but actually they delivered 4.207 million tons, 518,000 tons behind the contract, the rate of contract fulfillment which reached only 89 percent.

Of the 4.1 million tons of rolled steel to be delivered by the 26 key steelworks according to the contract, the actual amount delivered to the state was 3.72 million

tons, fulfilling 90.7 percent of the contract, a 1.2 percentage points drop compared with the same period last year. The amount behind the contract was 382,000 tons, 76,000 tons more than the corresponding period of 1987. The enterprises which fulfilled or nearly fulfilled the contract included the Shoudu Iron and Steel Complex, Wuhan Iron and Steel Complex, Chongqing Iron and Steel Complex, Fushun Steelworks, Changcheng Steelworks, and Guiyang Steelworks.

Of the 593,000 tons of rolled steel to be delivered by the steelworks under the provincial, regional, and city authorities, the actual amount delivered to the state amounted to 458,000 tons, 135,000 tons behind the contract, the rate of contract fulfillment which reached 77.2 percent.

The rate of contract fulfillment of 13 kinds of steel products was unbalanced. Only 5 kinds of steel products fulfilled the contract by over 90 percent. The delivery of strip steel and sheet steel which were in rather short supply respectively fulfilled 82.7 percent and 86.5 percent of the contract. The rate of contract fulfillment for sheet steel decreased by 10.3 percentage points compared with the same period last year.

#### **The supply of coal lagging behind the contract**

According to the contract, the coal mines under unified central planning had to deliver 111.42 million tons of coal to the state in the first quarter of this year, but actually they delivered 101.65 million tons, 9.77 million tons behind the contract or owing more than 50 percent compared with the same period of last year. The rate of contract fulfillment reached 91.2 percent, a drop of 2.8 percentage points compared with the corresponding period of 1987.

Of the coal mines under unified central planning, 17 mining bureaus including those in Datong, Pingdingshan, and Dongmeng fulfilled over 95 percent of the contract.

The supply of coal to the key departments and areas which had coal shortages was as follows: Owing 1.995 million tons to the Ministry of Electricity, 370,000 tons more than the same period of 1987; owing 763,000 tons to the Ministry of Metallurgy, 660,000 tons more than the same period last year; and owing 597,000 tons to Guangdong, 373,000 tons to Shanghai, 326,000 tons to Tianjin, and 310,000 tons to Jiangxi.

Coal to be exported was 1.32 million tons behind the contract, 960,000 tons more than the same period of last year.

#### **The rate of contract fulfillment for pig iron dropped by a big margin**

According to the contract, the iron and steel works had to deliver 1.521 million tons of pig iron to the state in the

first quarter of this year, but they actually delivered 1.235 million tons, the rate of contract fulfillment which reached 81.2 percent, a drop by 9.2 percentage points compared with the corresponding period of 1987. The amount behind the contract was 286,000 tons, more than 100 percent compared with the same period last year.

Fifteen enterprises undertaking the state contract including the Shoudu Iron and Steel Complex, Wuhan Iron and Steel Complex, Hunan Steelworks, and Meishan Iron-works fulfilled the contract for the first quarter by 100 percent.

#### **The contract for timber was fulfilled by less than 50 percent**

In the first quarter of 1988, the northeast, Nei Monggol, and southern forest zones delivered 4.067 million cubic meters of timber, fulfilling 41.4 percent of the contract for the first half of 1988, a decrease by 2.1 percentage points compared with the same period last year.

The rate of contract fulfilled by various forest zones was less than 50 percent. Heilongjiang, Jilin, Nei Monggol, and the Greater Xing'an Mountains delivered 3.78 million cubic meters of timber to the state according to the contract, respectively fulfilling 42 percent to 46 percent of the contract for the first half of 1988. The forest zones in Sichuan, Yunnan, and Xinjiang delivered 268,000 cubic meters of timber, respectively fulfilling 34 percent, 29.8 percent, and 11.4 percent of the contract for the first half of the year.

This year the forest zones in the south failed to deliver resources to the state and receive orders according to the state plan. For example, of the 600,000 cubic meters of timber to be delivered by Yunnan this year, only 240,000 cubic meters have been delivered, accounting for 40 percent of the plan.

#### **The rate of contract fulfilled for six kinds of nonferrous metals rose compared with last year**

Of the 196,900 tons of copper, aluminium, lead, zinc, copper products, and aluminium products to be delivered to the state in the first quarter of this year, the amount actually delivered was 184,400 tons, the rate of contract fulfillment which reached 93.7 percent, a 4.8 percentage increase over the same period of 1987, owing a total of 125,000 tons, 50 percent less than the same period of last year.

Of the six kinds of nonferrous metals, the rate of contract fulfillment for copper, aluminium, lead, zinc, and aluminium products respectively reached 94.4 percent to 97.6 percent, of which the rate of copper topped 97 percent, up 6.3 percentage points from the same period of last

year. The delivery of zinc which lagged behind last year changed somewhat in 1988, the rate which topped 97.6 percent, up 23 percentage points.

The contract for copper products was not properly fulfilled, the rate which reached only 78.2 percent, a decrease by 9.6 percentage points compared with the same period in 1987. Of this, the delivery of copper products by the Loyang Copper Processing Plant lagging behind accounted for 42 percent of the total amount due.

#### Problems That Merit Attention

Sales outside the plan squeezed out goods delivery covered by the plans. Although production and sales of products under unified state control increased markedly in the first quarter of this year compared with the same period last year, the rate of contract fulfillment was relatively low. The main reason was that some enterprises did not strictly follow the sales principle of goods delivery covered by the plans first and sales outside the plans second. In other words, sales outside the plans squeezed out goods delivery covered by the plans. For example, production and sales of rolled steel increased by around 10 percent over the same period of last year. Sales by enterprises totaled 2.25 million tons, a 74.5 percent increase over the same period of 1987, the rate of contract fulfilled which reached only 89 percent. Of this, production of sheet steel increased by 20.5 percent, sales by enterprises totaled 277,000 tons, up 140 percent, but the rate of contract fulfilled dropped by 10.3 percentage points. Production of soda ash which was in a rather short supply increased 12 percent, sales by enterprises went up 220 percent, but the rate of contract fulfilled dropped by 3.3 percentage points.

Shortages in raw materials supplies. For example, the excessive export of ferroalloy last year resulted in out of stock and short supply in the domestic market this year which affected production of light railway track, silicon steel plate, and fine quality rolled steel. Production of the Taiyuan Iron and Steel Complex, Chongqing Special Steelworks, and Dalian Steelworks in the first quarter has been affected. The out of stock of ferroalloy in Taiyuan Iron and Steel Complex will affect its production in the second quarter.

Transport is out of step with production. Because of the limited number of transport vehicles and other reasons, the delivery of rolled steel behind the contract totaled 158,000 tons, 31 percent of the total due. The Bengang Iron and Steel Company needed 3,096 railway wagons from the railway departments. Actually, the company got only 1,175 wagons and transported 906 wagons of rolled steel, 71 percent behind the target. The strain in transporting timber from the northeast and Nei Monggol forest zones resulted in transporting 220,000 cubic meters of timber less than the same period of 1987. Moreover, some enterprises complained that the delivery of timber was often late and the products were not what they needed. For example, timber received by

Beijing's Guanghua Timber Mill in the first quarter was only 38.5 percent of the contract. As the mill could not order willow, log, and birch, it had to pay 260 percent higher than the market price to buy the timber they needed, which required an extra expenditure of 6.135 million yuan for the first quarter.

#### MINERAL RESOURCES

##### Large Rare Earth Deposit Found in Guangxi

OW1006155888 Beijing XINHUA in English  
0814 GMT 10 Jun 88

[Text] Nanning, June 10 (XINHUA) — A large deposit of rare earth has just been discovered in the northeastern part of south China's Guangxi Zhuang autonomous region.

According to the regional geology and mineral resources bureau, the deposit has been confirmed at more than 100,000 tons, which is high-grade and will be easy to mine, process and transport.

China, which is rich in rare earth and possesses more than 80 percent of the world's total reserves, has confirmed deposits in 10 provinces and regions.

#### SMALL-SCALE ENTERPRISES

##### Development of Rural Private Enterprises

40060280 Beijing NONYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 4, 23 Apr 88 pp 38-42

[Article by Liu Xiaojing [0491 1420 0079], the Chinese Academy of Social Sciences's Institute of Rural Development: "Issues Pertaining to the Healthy Development of Private Enterprises: An Empirical Study of 130 Private Enterprises in 18 Provinces (Municipalities)"]

[Text] On three separate occasions, between 1982 and 1983, and in 1984 and 1987, the relevant units in various provinces and municipalities took a series of sample surveys of private enterprises in the rural areas. The sampling criteria were: the enterprises had considerable local impact, were relatively large, and employed a large number of workers. The surveys involved more than 130 enterprises in 18 provinces (municipality). (Footnote) (The provinces and municipality are: Heilongjiang, Jilin, Liaoning, Hebei, Tianjin, Shanxi, Shaanxi, Gansu, Sichuan, Yunan, Guangdong, Hunan, Hubei, Jiangxi, Zhejiang, Jiangsu, Anhui, and Shandong.) This article relies on information obtained in the surveys, and attempts to address the issue of how to facilitate the healthy development of the relatively large private enterprises.

### I. An Economic Force To Be Reckoned With

Statistics on all enterprises surveyed reveal the following average scale of the relatively large private enterprises in the rural areas: in 1982, the average enterprise's annual output value was 134,400 yuan; it hired 37.5 workers, and owned 290,000 yuan in producer goods. The largest enterprise in that sample was a coal mine in Hunan's Taojiang County. Its annual output value was 1 million yuan, and it employed 240 workers. In 1984, a similar survey showed that the average enterprise's annual output value has grown to 482,000 yuan, with employment of 80.9 workers and holding 310,000 yuan in producer goods. The largest enterprise in that sample was an enterprise which manufactured marble processing machines. Its annual output value was 4.08 million yuan, it employed 400 workers, and held 1,854,000 yuan in producer goods. The next largest was an electrical plant in Shaanxi's Hancheng City. Its annual output value topped 3 million yuan, it employed 150 workers, and held 3 million yuan in producer goods. The 1987 survey showed that the annual output value of the average enterprise has increased to 1,027,700 yuan, employment has reached 97.3 workers, and it owned 479,600 yuan in producer goods. The largest enterprise in this sample was a manufacturer of automobile tune-up kits in Liaoning's Xinmin County. Its annual output value was 8 million yuan, it employed 315 workers, and held 3.1 million yuan in producer goods. The next largest was a worsted yarn factory with an output value of 5 million a year. It employed 123 workers and held 2.1 million in producer goods. The 3 separate surveys sampled more than 130 enterprises with a total annual output value of 75 to 80 million yuan, they employed a total of about 10,000 workers, and owned producer goods worth 40 million yuan.

In recent years, the types of business the relatively large rural private enterprises engage in, as well as their main products, have changed dramatically. An analysis of the above-average-sized enterprises (designated "large enterprises" below) in the samples taken over the years shows at least the following changes: (i) Productions have become increasingly concentrated. In 1982, each large enterprise had an average of 1.89 projects. The averages have dropped to 1.38 projects by 1984, and 1.29 projects by 1987. (ii) The output value of the main production projects has increased significantly. In 1982, the average output value of the main production projects was 178,500 yuan. In 1984, the value has increased to 780,300 yuan, and to 1,934,700 yuan by 1987. (iii) The main products are of a higher grade. For example, in the 1987 sample, a certain worsted yarn factory in Hebei's Qinghe County exported its products and earned foreign exchange. This was unprecedent in the history of worsted yarn production. Another plant in Hubei's Ezhou City which manufactured diamond circular saw blades was cited by the province for its quality product. A machine for making bricks manufactured by a factory in Shaanxi's Jiaocheng County also won local citations for its high quality. These incidents were rarely seen in the earlier surveys of 1982 and 1984.

These facts prove that in the development of the rural commodity economy, private enterprises are no longer a dispensable economic force. Reality compels us to think in terms of not just whether private enterprises should be allowed or whether they should be restricted. Today, and far into the future, the focus of theoreticians and those who study policies is on how to make use of private enterprises, a unique economic format, to speed up and further the development of the rural productive forces and the rural commodity economy in the early phase of socialism.

### II. Several Aspects in the Developmental Profile

The development of rural private enterprises has provided us with a rich supply of research material. Here we will focus on the issue of the healthy development of the relatively large private enterprises, and we have selected several aspects overlooked in previous studies for our preliminary analysis.

(1) **The start-up format of the enterprises.** On the whole, the initial forms of the relatively large rural private enterprises fall into three categories: one, the proprietor contracts or leases a collective enterprise, and turns that into a private business or mostly private business (simply called "contracted enterprise" below.) Contracted enterprises accounted for 59 percent of all enterprises in the 1982 sample, 30 percent in the 1984 sample, and 6.4 percent in the 1987 sample. In 1982, their average output value was 109,800 yuan per year, and by 1987 it has increased to 220,000 yuan. Two, the proprietor, singly or with one or more partners, sets up an enterprise (simply called "individually operated enterprise" below.) These enterprises comprised 41 percent of the 1982 sample, 70 percent of the 1984 sample, and 87.2 percent of the 1987 sample. In 1982, their average output value was 188,900 yuan per year, but has reached 948,100 yuan by 1987. Three, the proprietor runs the enterprise in cooperation with the people's or the collective unit (simply called "jointly operated enterprise" below.) They were new in the 1987 sample, and they comprised only 6.4 percent of the sample, but their average output value was fairly high, as much as 2,653,000 yuan per year.

An analysis of the initial forms of all sample enterprises at least indicate to us the following points: (i) At present, the relatively large rural private enterprises are primarily made up of individually operated enterprises. Not only do they constitute a majority in the sample, they also have considerable energy and potential to expand. (ii) Even though in the beginning the contracted enterprises have certain "natural advantages" (for example, they have a certain amount of fixed assets and circulating funds, as well as the original sales and supply channels and the prestigious name of the collective economic organization,) on the whole, these advantages have not given them an edge in the competitive market. In recent years, despite the rapid development of all kinds of private enterprises, most contracted enterprises have

expanded only slightly. This is no longer the principal form of newly created private enterprises in the rural areas. (iii) Jointly operated enterprises were created in a fervor, when "every party and political department wants to run a business," or they were set up under other special situations; and, therefore, they have developed rapidly despite their late start. But the background of these enterprises is very complicated, and we need to analyze it more concretely and carefully. But in the near term, this start-up format is not likely to become very popular.

(2) **The source of enterprise start-up funds.** In 1982, the enterprises had an average of 25,000 yuan in start-up funds, and the averages were 173,400 yuan in 1984, and 117,700 yuan in 1987. For all enterprises sampled the total average start-up fund is 107,200 yuan. In general, these relatively large rural private enterprises have three sources of start-up funds: bank credit loans, other fund raising channels, and the proprietors' personal savings.

An analysis of the sources of start-up funds of all enterprises sampled indicates the following: (i) Banks and credit cooperatives remain the main suppliers of enterprise start-up funds. Samples taken over the years show that bank and cooperative loans have continued to account for about 50 percent of all enterprise start-up funds, and the actual loan amounts have increased year after year. (ii) On the whole, the proprietor's personal savings are not a significant part of the enterprise start-up funds. Despite the fact that more proprietors were putting an increasing amount of their savings into their businesses, personal savings never accounted for more than 17 percent of all start-up funds. (iii) Other channels for gathering funds warrant special attention. At present, this source is primarily in the form of prepaid deposits and credit sales of producer goods which the proprietor obtained under the name of the collective economic organization, the enterprise, or the owner himself. The supply of these funds tends to fluctuate from year to year. In 1984, they accounted for more than 50 percent of all enterprise start-up funds, but have dropped to less than 20 percent by 1987. (iv) There is little correlation between the amount of start-up funds and the final production scale of the enterprises. There is nothing to support the claim that "large private enterprises are dependent on the support of state loan funds." (v) Nowadays, in some areas peasants are spending several thousand yuan on weddings and funerals, and data gathered in permanent observation points nationwide reveal that the average household has as much as 1,073 yuan in surplus cash. Compared to these figures, spending 100,000 yuan or so to start a relatively large private enterprise is not an exaggerated figure.

(3) **Enterprise Accumulations.** Due to limited information, we can only make a preliminary analysis based on a sample of 13 enterprises in the 1987 survey. These 13 enterprises have an average annual output value of 1,146,500 yuan, or 112 percent of the average output value of all enterprises in the sample in that year. They have an average of 481,600 yuan in producer goods, which equals 100.4 percent of the sample average for that year. The enterprise with the most start-up funds had 800,000 yuan, and the one with the least funds had only 5,000 yuan. The enterprises have been in operation

for an average of 4 years. They are fairly representative.

In our analysis, we have learned the following. (i) The rate of increase in producer goods averages more than 47 percent a year and is relatively high. (ii) There is a strong correlation between the rate of enterprise accumulation and the existing scale of the enterprise. Those enterprises which have a higher than average accumulation rate have an average annual output value of 1,308,000 yuan, and those with below average accumulation rate have an average annual production value of 889,000 yuan. One factory has been operating for 3 years without any increase in producer goods, and its annual output value is only 300,000 yuan, which turns out to be the lowest among the 13 enterprises. (iii) The rate of enterprise accumulation is constrained by the quality of the products. Among the 13 enterprises, those with the highest rate of accumulation, listed by product or business, are telecommunications cable, moderate-to-high grade furniture, nylon thread, electrical parts, diamond circular saw blades, brick-making machines, constructions, and brick, tile and cement. Enterprises with the lowest accumulations rate, listed by output or business, are bricks and tiles, cast steel articles, fine grade of poultry eggs, and wooden furniture. (iv) The accumulation rate is higher if the proprietor has previous management experience (regardless of whether he used to be a manager in the commune or brigade enterprise, if he had previous experience contracting with collective enterprises, or if he managed a family factory.)

### III. The Age, Educational Standard, and Experiences of the Proprietors

**1. The proprietors' age.** Based on all samples, the average age of the proprietors was 41.58 years old at the time of the survey, and about two-thirds of them were below the age of 45.

**2. The educational standard of the proprietors.** Based on all samples taken over the years, 67.1 percent of the proprietors have above junior middle-school education; 21.4 percent have an elementary school education, and 11.3 percent are barely literate.

The most interesting point in the analysis of the proprietor's educational standard is that, on the whole, proprietors with more education have not given impetus to enterprise production scale. In other words, there is a poor correlation between educational standard and enterprise production scale. Enterprises whose proprietors are barely literate have an average output value of 983,000 yuan per year; the largest has an annual output value of 5 million yuan. Enterprises whose proprietors have elementary school education have an average output value of 816,000 yuan per year; the largest has an annual output value of 3.3 million yuan. Enterprises whose proprietors have more than a junior middle-school education have an average annual output value of

816,000 yuan, and the largest has an annual output value of 8 million. Enterprises whose proprietors have above high-school (or polytechnic school) education have an average output value of 212,000 yuan, and the largest has an annual output value of only 900,000 yuan, comparable only to the average scale of all private enterprises sampled in 1987.

**(3) The proprietors' experiences.** To facilitate analysis, we have generalized the proprietors' social experiences into the following categories: (i) Those who used to be cadres. This includes mainly those who are, or have been brigade leaders (supervisors of the villagers' committees,) brigade secretaries (village party committee secretaries,) branch committee members, accountants, leaders of production brigades, plant supervisors of

commune or brigade enterprises, or managers (simply called "cadre proprietors" below.) (ii) Those who have sales and supply experience in the commune or brigade enterprises (simply known as "sales and supply proprietors" below.) (iii) Cadres, workers and staff who have retired, or are on leave from urban enterprises or public agencies, and former city dwellers (simply called "urban proprietors" below.) (iv) Former specialized households (simply called "specialized household proprietors below.) (v) Those with unique experiences. These proprietors previously have served a sentence, undergone reeducation through labor, or have been arrested and tried. Some of them have been mistakenly sentenced or wrongfully punished during an abnormal period in our social political life. Even those who had committed crimes have been thoroughly rehabilitated after years of reeducation (simply called "proprietors with unique experiences" below.)

Proprietors' Social Experience and Enterprise Production Scale (unit: annual output value, in yuan)

Proprietor Category	All Proprietors	Cadre Proprietors	Sales and Supply Proprietors	Urban Proprietors	Specialized Household Proprietors	Proprietors with Unique Experiences
Average Enterprise Size	569,600	700,200	1,115,700	973,000	412,000	879,300

Based on these figures we can make the following conclusions: (i) On the whole, enterprises run by sales and supply proprietors are the largest; their average output value exceeds the total sample average by 95.9 percent. The second largest are those run by urban proprietors and proprietors with unique experiences; their production scale exceeds the total sample average by more than 50 percent. These three groups of proprietors are more knowledgeable, and have more social contacts and richer social experiences, and they are the cream of the crop among all categories of proprietors. (ii) Cadre proprietors have many "natural endowments," and the enterprises they run are fairly large but, on the whole, there are few outstanding cadre proprietors in the competitive market. Their enterprises average about 23 percent larger than the average enterprise sampled. (iii) It is very difficult for a regular peasant to become an entrepreneur. We can catch a glimpse of this in the fact that enterprises run by specialized household proprietors are only 70 percent the average size of all enterprises sampled.

#### IV. Further Analysis of the Fund Supply Situation

At present, rural fund supply is still plagued by crude fund gathering and distribution channels and mundane fund gathering methods and is tinted by prejudices. There is a shortage of funds as well as an imbalanced supply. Fund gathering and distribution lack standards and restraint. These problems give rise to the abnormal phenomena in the fund supply of relatively large rural enterprises.

**1. A credit policy heavily tinted by prejudices.** In order to stop "the vicious expansion of capitalism" and "protect the collective economy," banks and credit cooperatives throughout the country generally adopt a credit policy which is highly prejudiced. They restrict loans to the relatively large private enterprises, and the terms tend to be more harsh. In addition, because the growth of the rural fund market has been very slow, the fund supply problem has become the most formidable obstacle to enterprise expansion for those proprietors without special "connections." Some proprietors, in order to keep their enterprises alive and keep the operations going, have to resort to abnormal fund raising measures. Of these, the most common method is to default on the workers' salary. This situation is often reflected in the samples surveyed.

**2. Special help from the relevant departments.** A stark contrast to the limited loan fund supply is the situation where a few private enterprises, because of special circumstances, have received some unusual help. For example, a private chicken farm in Liaoning's Dalian City had a 1.8 million yuan investment plan, 105,000 yuan, or 5.8 percent, of which was privately funded by the proprietor (calculations based on data collected in sample surveys show that commercial credits account for about 50 percent of these so called privately raised funds,) and the rest was "properly resolved" by the local leading organs and relevant departments: (i) The Agricultural Bank provided 500,000 yuan (9 percent of which was a no-interest loan,) and the credit cooperative furnished 300,000 yuan in loans. These two items accounted for 44 percent of the total investment. (ii) The

Agricultural Bank guaranteed a 850,000 yuan loan extended by the state-run enterprise and public agency unit. This comprised 47.2 percent of the total investment. In addition, the proprietor was given other material considerations and favors. With this kind of special help, this farm obtained 10.4 times more start-up funds than the sample average of all enterprises surveyed in that year, and in terms of funds raised "through other channels," it received 37.6 times more than the sample average of all enterprises. Ultimately, this farm is known as "Liaoning's largest private chicken farm."

(3) **Problems in commercial credits.** In China, the rural industrial product market generally is a seller's market, and normally commercial credits should play an important role. But based on the 1984 sample survey, despite the fact that 4.5 percent more start-up funds were raised through commercial credits than through regular bank loans, the use of commercial credits was less than effective. In 1984, the ratio of enterprise start-up investment to existing assets to annual output value was 1:2.22:2.14, but surveys showed a 1:1.34:5.54 ratio and a 1:4.09:8.74 ratio in 1982 and 1987, respectively. The disparity in the return on investments is partly due to the

improper way some enterprises were able to obtain commercial credits. A cadre proprietor in Shaanxi's Hancheng City was able to instantly obtain 2 million yuan's worth of equipment from a certain large state-run plant on credit, and was allowed to repay the amount over 5 years, interest-free. It is not hard to infer that this kind of concessionary and extraordinary fund supply inhibits the enterprises' internal drive and vitality.

(4) **Cadre proprietors' use of funds is ineffective.** Based on analysis of the 1987 sample survey, cadre proprietors received the most funds among all categories of proprietors. Each cadre proprietor received an average of 2.2 times more start-up funds than the sample average, and 44.6 percent more than even the large private enterprises. The capital structure of the start-up funds of the cadre proprietors was also different. Ninety percent of their start-up funds was made up of bank loans and commercial credits. Personal savings accounted for only 3.8 percent. The advantage they had in fund supply, however, did not help the cadre proprietors get better returns on their investments:

#### A Comparison Of Enterprise Start-up Funds and Output Value

Enterprise Proprietor Category	Average of All Categories
Start-up Funds:Enterprise Output Value	1:8.73

Cadre Proprietors	Sales and Supply Proprietors	Large Enterprises
1:8.54	1:23.96	1:13.94

#### V. Some Basic Ideas In Formulating a Game Plan

The above analyses clearly show that, basically, the healthy development of the relatively large private enterprises is dependent on the rural market environment as well as the restructuring and standardization of the whole economy. This is a very complicated project which cannot be accomplished overnight or simply with a couple of reform measures. Therefore, perhaps it will be more helpful if we view the healthy development of the relatively large private enterprises as a long and arduous struggle, and our goals as being realized eventually.

Here we have a few suggestions on how to tackle the few weaker links:

(1) **We should gradually improve the fund supply situation for the relatively large private enterprises.** Funding is one of the major thrust behind the development of the relatively large private enterprises, and normalizing the fund supply in the rural areas no doubt will be an important safeguard for their healthy development. Opening and perfecting the fund market has become a priority in formulating a game plan to deal with rural private enterprises. The core strategy is to establish and perfect a new fund gathering principle which is compatible with the laws of the commodity economy, tap the potential capital outside of the reproduction process,

move the capital which is getting poor returns in the reproduction process, and direct those funds toward the entrepreneurs, so that all the scarce resources in the rural areas can be put to proper use.

(2) **We should develop and perfect the rural commodity market, and vigorously encourage the relatively large private enterprises to participate in market competition.** The maturity and the quality of the commodity market basically determine the development and the condition of all other markets. Competition and an open commodity market are beneficial to the development of commodity production, and are also the bases for the normalization and standardization of rural economic activities. Therefore, the relationship between the rural commodity market and the development of the relatively large private enterprises should be one of the key points in the study of how to handle private enterprises. At present, the core issue is how to make use of the market competition mechanism to standardize the business activities of the relatively large rural private enterprises, promote the elimination, reorganization, and modification of the size of some enterprises.

(3) **We should establish a brand new entrepreneur training mechanism.** The healthy development of the relatively large rural private enterprises also depends on the emergence of a large number of entrepreneurs. Therefore,

how to establish a set of brand new mechanisms to train and promote entrepreneurs is another important topic which needs careful study. This study demands at least that we make the utmost effort in the following two areas: (i) Attract a large group of proprietors from the cities who have high scientific and technological standards strong business management capabilities as well as certain practical abilities, and change the present mix of proprietors. (ii) Improve the environment surrounding the rural entrepreneurs and facilitate the development and maturity of the existing personnel and personnel reserve. In short, we want the proprietors to make money in a highly competitive market, but we do not want to make it too easy for them to make money. We have to rely mainly on economic measures to entice them to work diligently, boldly explore, and constantly create new possibilities.

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## FOREIGN TRADE, INVESTMENT

### Article Urges Strengthening Shanghai-Hong Kong Economic Cooperation

40060285 Beijing LIAOWANG [OUTLOOK]

OVERSEAS EDITION in Chinese

No 14, 4 Apr 88 pp 15-16

[Article by Xie Huiming (6200 1920 7686), Dong Zhi-liang (5516 1807 5328) and Jin Duanzhi (6855 4551 3112); "Further Strengthen Economic Co-operation Between Shanghai and Hong Kong"]

[Text] Economic and trade relations between Shanghai and Hong Kong have seen further development since the hinterland began implementing the policy of opening up to the outside world. Hong Kong is playing an increasingly important role in the export oriented economic development of Shanghai.

From a trade perspective, in the thirty-three years between 1953 and 1986, exports from Shanghai to Hong Kong increased an average of 11 percent annually, and yet, between 1986 and 1987 the increase was 19.2 percent. Of the gross value of Shanghai's exports, those to Hong Kong generally claim about 20 percent. In 1986 17.6 percent went to Hong Kong, and in 1987, 18 percent. Shanghai has always held a favorable balance of trade with Hong Kong, such that for the period of the Sixth Five-Year Plan (1981-1985) the balance reached \$2.5 billion in favor of Shanghai, which garnered a considerable amount of foreign exchange for the nation.

As for Shanghai imports which have passed through Hong Kong, these too have gained rapid development since implementation of the policy of opening to the outside. The value of imports in 1986 was an astounding 12.5 times that of 1978. The value of imports for 1987 was up 42.6 percent from 1986. Imports from Hong

Kong make up 22.8 percent of the total value of Shanghai's imports, and Hong Kong is now second only to Japan as Shanghai's greatest source of imports.

In the area of employment of foreign funds, in the last ten years, Hong Kong has led all other nations and regions in playing an instrumental role in Shanghai's absorption of foreign investment. The first noteworthy point is that Hong Kong was an early investor in Shanghai. Hong Kong firms were willing to brave the risks of investing in Shanghai before those of such regions as Europe and the U.S. A case in point is the Shanghai-Hong Kong joint venture Lianhe Wool Textile Co., Ltd. which was one of the first of "the three kinds of partially or wholly foreign-owned enterprises" in Shanghai. Another Shanghai-Hong Kong joint venture, the Huanqiu Toy Co., Ltd., was one of the earliest enterprises to be built and put into production in the Shanghai Minxing Economic and Technological Development Zone. The preponderance of medium and small scale enterprises is also to be noted. By the end of 1987, there were already 131 projects funded by Hong Kong firms with contracts amounting to \$520 million, which separately accounted for 45 percent of the total foreign investment in Shanghai and 28 percent of contract amounts. Hong Kong ranks first in the number of investment projects in Shanghai, and is second to only the U.S. in amount of capital invested. The enterprises are primarily medium to small scale with most projects having assets under \$5 million. Shanghai-Hong Kong economic and trade relations are already beginning to expand on many different levels, and have already gone from simple two-party trade relations to contact and co-operation in areas including industry, technology, tourism and information.

### Shanghai-Hong Kong Economic and Trade Relations Are Not Meeting the Requirements of the Coastal Development Strategy

However, the rate of development in economic and trade relations between Shanghai and Hong Kong lags far behind those for Guangdong and Fujian, and even behind those for Jiangsu and Zhejiang. This does not meet the requirements put forth by the State Council for export oriented economic development of coastal provinces and cities and participation in the economic development strategy for coastal regions.

The reason for the slow development of economic and trade relations between Shanghai and Hong Kong is tied in with Shanghai's consistent implementation of a highly planned economy. Under this system with its numerous checks and regulations, enterprises have not had the power of self-determination and 70 percent of production has been sold domestically. One followed the plan for survival and did not actively pursue export oriented economic development.

At the same time, Shanghai has historically tended to emphasize co-operation and interchange with Europe, the U.S. and Japan. Furthermore, certain persons in Shanghai have had the attitude that they alone should be the big wig. Because of this, they underestimate the role of Hong Kong. In a trade context, they don't emphasize entrepot trade through Hong Kong, but only accord it a limited role.

We should now take note of Hong Kong's role anew, as well as that of its agents and middlemen. These persons have unobstructed trading channels and employ a flexible style in doing their business. Without these middlemen we wouldn't be able to sell our products at even rock bottom prices. Hong Kong is a model export oriented economy. It is also the springboard off of which our coastal and inland provinces and cities can pursue their own export oriented economic development. If Shanghai is to develop an export oriented economy and take part in the coastal region economic development strategy, it must make full use of this springboard offered by Hong Kong, it must absorb the experience of Hong Kong in developing an export oriented economy, and it must co-operate with Hong Kong. Following are ways that Shanghai and Hong Kong can further strengthen their co-operation.

#### **Give Full Play to Hong Kong's Role in Entrepot Trade**

Within the context of trade, we should give full play to Hong Kong's role in entrepot trade by fully utilizing her strong features such as quick access to information, good transport facilities, numerous marketing channels and flexible trading practices. Hong Kong is the shipping center of the Far East, the world's second largest container port and the world's second largest air transport terminal. At present, a fairly large proportion of the products Shjianghai exports to Hong Kong are for transit to other countries. Among these, entrepot trade from the Wenjiao and Qinggong companies comprises upwards of 60-70 percent of the total figure. In addition to consolidating its existing entrepot markets, Shanghai can also open up its entrepot trade to Central and South America, the Middle East, the Soviet Union and Eastern Europe by shipping through Hong Kong. At the same time, we should actively develop our entrepot trade with the South Korean and Taiwan areas.

Also, by shipping via Hong Kong, we can speed up and facilitate imports of Shanghai's necessary raw materials, advanced technology and equipment, and latest product samples, we can promote the upgrading and updating of Shanghai's exports as well as "cultivate exports through imports", and we can expand Shanghai's exports.

In addition, Shanghai should make use of Hong Kong's status as an international financial center to gather funds. Hong Kong is an international financial center with an abundance of funds. Shanghai should make full use of this favorable condition to attract the foreignn capital which would use Hong Kong as its springboard to

investment within China. In particualar, nations and regions in the Pacific such as Japan and Taiwan with vast foreign currency reserves are eager to invest abroad. They consider it more reliable and safer to invest in China by going through Hong Kong. In this way, Hong Kong can give full play to its special role.

#### **Continue To Initiate Shanghai-Hong Kong Joint Ventures**

Shanghai should also accelerate its "three forms of import processing and compensation trade" business with Hong Kong firms. While reaping the benefits from wider authority to give the go-ahead on the "three forms of import processing and compensation trade, "we should actively encourage suburban area, county, township and town enterprises as well as medium and small enterprises in the city to work with Hong Kong business concerns to develop this agenda. At the same time, we should give full rein to Shanghai's superior science and technology strength to develop some technology intensive projects in the 'three forms of import processing and compensation trade' business. Both Shanghai and Hong Kong should continue to co-operate in setting up joint ventures of various sorts and scales. The Shanghai Wenjiao Sport Product Import/Export Co. has already embarked on a joint venture with a Hong Kong firm and a local Shenzhen enterprise to establish 'Kaiyuan Xieye Joint Stock Co., Ltd.' in Shekou. All of the production is being sold to foreign markets and the enterprise is enjoying fair economic success. The enterprise has also established an office in Hong Kong, imports raw materials and supplementary materials from Hong Kong, and conducts itself in the spirit of "putting both ends abroad, and large scale importing and exporting". Starting up an enterprise of this sort is profitable throughout the joint venture. And as for Shanghai, aside from the profits made, a portion of production is purchased, exports are given a boost and at the same time, new product areas are opened up, product grade is raised and methods of enterprise management are acquired.

#### **Learn From Hong Kong's Management Experience**

In addition, Shanghai should also learn from Hong Kong's experience in economic management such as land sales and land management. In the tourism business, we can learn how to organize tourist sources and manage hotels. In the information field, we can set up lines of communication with Hong Kong's various information organizations and lay hold of all sorts of information. For example, the Shanghai International Economics and Trade Research Institute is already getting timely information on world politics, finances and commodities through its terminal link-up with the Hong Kong bureau of Reuters (UK). Co-operation in the area of shipping can also be further broadened. By organizing sea to sea or land to sea shipping communication, Shanghai's products will arrive in the hands of the

customers at an earlier date. Other experience possessed by Hong Kong, such as with construction of its infrastructure and traffic control, is worth learning.

The prospects for economic and trade development between Shanghai and Hong Kong are bright. Shanghai is strong in the areas of science and technology, industry and labor force. It is located in the center of the Shanghai Economic Zone and is surrounded by the vast hinterland areas of Jiangsu, Zhejiang, Anhui, Jiangxi, and Fujian. Also, Hong Kong is already participating directly in the economic development strategy for coastal regions and has the whole world as its backdrop. If Shanghai and Hong Kong were to link up, on the one hand addressing their efforts toward the world, and on the other hand, toward the vast hinterland of the Changjiang Delta, if they were to work from a foundation of reciprocal benefit and learn from the lessons of the other, the economies of both would be propelled forward and they would develop together. It can be anticipated that during the course of Shanghai's export oriented economic development, Hong Kong will certainly play a larger role.

**Overcoming Barriers to Textile Trade**  
*40060237 Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 2, 27 Feb 88 pp 44, 43*

[Article by Sun Nanshen [1327 0589 3947]: "Ways to Overcome Legal Barriers to China's Textile Exports"]

[Text] In recent years, textiles have consistently been China's biggest export item. Textile export earned more than \$8 billion of foreign exchange in 1987, 1/4 of the country's total foreign exchange earnings. Textile exports are an important source of foreign exchange; therefore, increasing textile export foreign exchange earnings is an important strategic goal of the textile industry. Currently, the United States, the European Economic Community (EEC), and Canada are our principle textile export markets with about 60

of our total textile exports. These countries' own textile industries are taking a real pounding. In order to protect their industries from attack by imported textiles, developed countries have commonly instituted protectionist policies and measures, and they have restricted the amount of textiles from developing countries. The quota systems which these countries have adopted are an important legal barrier facing our textile export industry. Therefore, it is important to understand the legal systems in the U.S. and Europe as they relate to import quotas and to decide on appropriate measures to further increase China's textile export earnings.

In the U.S., textile import quotas are absolute quotas, so a set type of textile imported within a given quota period cannot surpass the prescribed volume. The excess, however, may not be imported or held until the following quota period and again declared for import. In the EEC, import quota rules are in accordance with EEC laws. According to EEC standards, imported textile products

are divided into 114 types, of which some are subject to quotas and others are not. The former is subject to relatively light restrictions or none at all. The EEC has also imposed second-tier quotas on a portion of imports; the products of each country exporting to the EEC are distributed among the 10 EEC member countries according to a set ratio. Production quotas are set such that a country's amount of exports may not only not exceed the total, but also must not exceed that of each member country. By these import quota measures, the appropriate EEC authorities, after examining the export license submitted by the importer, are responsible for issuing the import license, and each member country's importers must uphold the terms of the license.

In practice, the above mentioned import control measures are frequently legalized and implemented by the importing countries through the "International Multi-Fiber Treaty" and bilateral textile trade treaties. The government in December 1983, entered into the "International Multi-Fiber Treaty" and the second deferment protocol and, in April 1987, participated in the signing of the third deferment protocol. Under the terms of that agreement, all the countries which are implementing import quotas against Chinese textile exports are countries which have signed bilateral textile trade agreements with the PRC. These countries are: the U.S., Canada, the ten members of the EEC, Austria, and three countries in northern Europe.

In recent years, the United States has become increasingly strict about textile import controls. In the first Sino-U.S. textile trade agreement (1978-1982), only 6 kinds of textile products were affected by the quota measures; but in the second agreement (1983-1987), the number of products affected had risen to 33. Furthermore during this period the U.S. suddenly and unilaterally implemented quotas on 58 products, bringing the total number of products affected by quotas to 91.

Europe has also been increasingly protectionist toward textile imports recently. In the first Sino-EEC textile trade agreement (1979-1983), there were 23 protected items. During the period that this treaty was in effect, the Europeans asked for a renegotiation, and the two sides agreed to raise the number to 37 items. In the second agreement (1984-1988) the scope of protection had increased to 49 items, of which there were 21 second-tier items. These various protectionist measures without a doubt created fairly large obstacles to increasing our textile exports.

This author believes that to increase our textile export earnings and eliminate the legal obstacles of these treaty countries' import quota systems, aside from the basic method of perfecting our management of export controls, would be the alteration of our textile export strategy in order to bypass the European and American system of import quotas. The basic method is a two-fold

strategy; the first is to change from victory through quantity to victory through quality, and the second is to make direct investments in foreign technology to develop textile production.

### 1. Changing from victory through quantity to victory through quality.

So-called victory through quantity refers to increasing export volume, using the superior price of medium and low grade merchandise to create export earnings. But in a time of increasing protectionism in trade, when the number of protected products tends to increase, it is not very hopeful to rely on victory through quantity. In order to enter the international market, our textile exporting enterprises and companies ought to thoroughly understand the quota systems of the treaty signatories. A notable characteristic of U.S. and European textile quota policies is that they only regulate quantity, not value. Recently the textiles which we have exported to the U.S. and Europe have tended to be some 30 types, and most of them are medium and low grade products which do not produce a high rate of foreign exchange earnings. Only in the low end markets in the U.S. and Europe are they competitive, and among the exports a sizable portion is textile raw materials, which are very much subject to controls. Therefore, the short term goals of our textile export earning foreign exchange are improving the grade and quality of the products, increasing the number of export product types, and implementing the two changeovers from primary products to finished products and from rough machining of finished products to smooth machining of finished products. On the premise of maintaining the original restricted and non-restricted exports, if we raise the price of export products we will realize the goals of reducing export quantity and increasing foreign exchange earnings. This is an effective method to increase on a wide scale the earnings from textile exports by means of victory through quality.

### 2. Making direct investments in foreign technology to develop textile products.

By means of direct foreign investments that cut across national boundaries, establishing textile enterprises abroad, and managing the coordination of marketing and production, the quota system can be bypassed, a direct hold on the market share of the host country achieved, and China's textile export earnings increased on a large scale. The first reason is that China is one of the largest textile countries in the world. It holds a predominant position in textile raw materials, and its textile production capabilities are increasing daily. Secondly, the textile industry is a labor-intensive production industry. When compared with technology-intensive and capital-intensive production industries, its technological and investment needs are small and it can rapidly develop production capability and profitability from investment. And finally, textile industries in developed countries have been shrinking recently, but consumption

of textile products is still on the rise, causing an imbalance in demand and giving rise to gigantic textile market. Therefore, we ought to make full use of our advantages and opportunities and rapidly develop textiles for foreign investment. Initially we should invest in countries without textile import quotas. The textile industries in these countries are relatively primitive and the developed countries don't have restrictions on their export, so after investing in production facilities it will be easier to export textile products to the developed countries. The second step is to invest in the developed countries and to use the same place as a market for selling. As for the investment situation, joint ventures are appropriate. In this way we can, on the one hand, utilize the existing financial talent of the foreign side, raising money for investments from local banks. And, on the other hand, if we can utilize the foreign side's (the investment partners from the developed countries) advanced technology and management experience as well as their existing access to markets, and also utilize enhanced processing and increasing variety we will increase the value and grade of our textile products and increase the earning power of these products.

## AGRICULTURE

### Farm Machinery Market Trends

*40060283 Beijing NONGYE JIXIE [FARM MACHINERY] in Chinese No 2, 18 Feb 88, No 3, 18 Mar 88*

[Article by Luo Licheng [5012 0500 2050]: "Steady, But Not Spectacular, Growth For Farm Machinery Market"]

[18 Feb 88 pp 4-5]

[Text] Summary: This article projects development trends in the farm machinery market and the demand for specific products over the next several years based on an analysis of the agricultural development policies of the CPC Central Committee and the State Council, the objectives of agricultural development as outlined in the Seventh and Eighth 5-Year Plans, the state of the rural economy, the trends in industrial structural adjustment, and the nation's energy and steel resources, etc.

The adjustment of the rural industrial structure and the implementation of the family contracted responsibility system have brought about profound changes in the production lineup and methods of operations. In the new situation, analyzing and studying changes in the farm machinery market and forecasting future development trends are essential to guiding farm machinery research and production and providing the countryside with the machinery and equipment it needs promptly, thereby upgrading the standard of agricultural mechanization effectively.

A preliminary analysis of some major aspects based on the data at hand:

1. The CPC Central Committee and the State Council have emphasized many times recently the need to further develop agriculture, especially grain production. In his report to the 13th NPC, Comrade Zhao Ziyang put agriculture in a strategic position where it impacts construction and reform overall, a move that will certainly correct the misconception—"the agricultural problem has largely been solved"—that arose after the bumper harvest of 1984 and help people develop a more sober understanding of the agricultural issue.

2. The Seventh 5-Year Plan proposes that China's total grain output hit the two highs of 450 kg and 500 kg by 1990 and 2000, respectively. It will take more than improved varieties, chemical fertilizers, pesticides, and scientific farming to achieve this objective. What is also needed is a variety of mechanical equipment to help improve production conditions, lower production costs, and raise yield per unit of land.

Agricultural departments have put forward the major goals of agricultural mechanization for the next 10 years as follows: raise the total power of farm machinery in China's countryside to 257 million kw (350 million horsepower [hp]) and 294 million kw (400 million hp) by the end of the Seventh and Eighth 5-Year Plans, respectively, for an average increase of 7.35 million kw (10 million hp) each year; raise the level of mechanization in tillage, irrigation, drainage, sowing, harvesting, forestry, animal husbandry, sideline production, and fishery to a new high; and elevate the level of mechanization in all major processes in the growing of cereal crops to about 70 percent. As far as detailed implementation procedures are concerned, it is proposed that farming in economically developed areas, key grain-producing areas, extensive but sparsely-populated areas, and state farms, as well as sideline production in the outskirts of large and medium-sized cities and industrial and mining areas be mechanized first, to be followed by other areas gradually.

The state has taken more vigorous measures to encourage and increase investment in agriculture. There would be an increase of 1 billion yuan in special loans at subsidized interest rates each year for the next 3 years to help boost economic development in impoverished backward areas. One billion yuan will be drawn from the profits of township and town enterprises each year to subsidize agriculture and finance the construction of commodity grain bases. In addition, special investments and loans will be set aside by the state for soya bean and corn production bases in Heilongjiang and Jilin and for agricultural byproduct bases all over the country, such as those for cotton, fruit, tea leaves, and oil-bearing crops. In April 1987, the state began levying a farmland use tax, which will yield 4 billion yuan annually to be devoted entirely to transform low- and medium-yield farmland

and bring arable wasteland under cultivation. Furthermore, the state appropriated 5 billion yuan in 1987 to be spent primarily to regulate and reduce grain contract procurement tasks and raise the prices of corn, rice, cotton, and other agricultural products appropriately.

While the above-mentioned funds are not totally spent on farm machinery purchases, they show on a policy level the priority the state attaches to agriculture, which will prompt localities and the masses to increase inputs in agriculture.

3. As the rural industrial structure is being adjusted, the rural labor force will move into the secondary and tertiary industries in large numbers, a phenomenon that is particularly marked in densely-populated and economically developed areas. Based on the demands of the state regarding national economic development as a whole, over 200 million farm workers will migrate out of agriculture by the end of the century. Thus it is imperative that the countryside increase farm machinery substantially to make up for the labor shortage and enhance agriculture's long-term momentum.

At present, pilot projects in operations on a suitable scale are being launched and expanded in such well-endowed places as the outskirts of Beijing, Tianjin and Shanghai, southern Jiangsu, and the Zhujiang delta. Leading comrades on the CPC Central Committee have made it quite clear, "The major reasons for low labor productivity in agriculture are small-scale farming and a lack of mechanization." "To modernize agriculture, we must mechanize, operate on a large scale, and use science and technology." We may say that this will be extremely helpful to the popularization of farm machinery.

4. A large part of the farm machinery now in use is of old models of the 1950's and 1960's. Their performance is poor and of a low quality. Moreover, many machines are in a poor state of repair because of misuse or aging. This shows that their replacement is a most urgent matter. It is estimated that an increase of 14.70 million kw (200 million hp) in farm machinery power is needed during the Seventh 5-Year Plan merely to replace old equipment.

Even if economic circumstances rule out total replacement, the replacement ratio should reach one-third to one-half, with the annual replacement ranging between 667 and 1,000 kw (9 million to 13.60 million hp.)

5. The economic conditions of the peasant are a major factor in farm machinery sales. In the 7 years between 1980 and 1987, per capita income in rural areas rose from 191.3 yuan to 460 yuan and rural savings deposits topped 130 billion yuan. Individually and collectively, peasants spent over 6 billion yuan to purchase new farm machinery each year in the past few years. The figure is projected to hit 8.5 billion yuan in 1987.

Take 1986, for instance. With a total rural income of 354 billion yuan and assuming that a relatively low 2.6 percent of it was spent on farm machinery, which was the figure for 1983, farm machinery funds from peasants reached 9.2 billion, close to the total value of farm machinery sales in urban and rural areas in China for that year. This shows that overall the countryside is economically capable of investing in farm machinery.

However, rural economic development in China during the Sixth 5-Year Plan was actually atypical, as was the growth in peasants' earnings. Today atypical growth has given way to normal growth. If we discount price rises, peasants' real incomes will hardly be able to grow as fast as they did before. According to late 1986 statistics from the Ministry of Agriculture, Animal Husbandry, and Fishery, rural areas owed the banks 2.17 billion yuan in farm machinery loans, of which 1.31 billion yuan were owed by peasants' families. For some time to come, therefore, the peasant who wants to purchase a farm machine will need financial and credit support from the state as well as increasing his own accumulation.

6. The oil-supply situation has an important effect on farm machinery sales. During the Sixth 5-Year Plan, farm diesel oil supply held steady at about 7 million tons, while diesel oil-powered farm machinery increased at an average annual rate of 7.52 percent. Thus the annual diesel oil supply for every kw of power dropped from 93.9 kg in 1980 to 58 kg in 1986. In 1987, the state set aside an additional 1.1 million tons of diesel oil for grain and oil-bearing crops. This eased the shortage of farm diesel oil to a certain extent, but judging from the increase in farm machinery and the situation in diesel oil production, the outlook is not bright.

Of course, the oil supply situation is largely shaped by government policies. If the state raises some of the targets for farm diesel oil supply, the situation will be quite different.

7. As the national economy undergoes adjustment, there has been a decline in recent years in the amount of steel allocated by the state to farm machinery production. In 1987, 560 kg of steel was set aside by the state for every 10,000 yuan worth of output in the industry, down from 1,480 kg in 1979, a 62 percent drop at a time when output value rose 52 percent. The state target for steel for 1988 has been trimmed by an additional 10 percent. In 1987, enterprises purchased 55 percent of their steel at market prices, up from 20 percent in 1979. Clearly this will seriously affect the enthusiasm of enterprises producing farm machinery.

According to statistics from the State Materials Bureau, the sources of steel supply outside the plan are fairly adequate right now. But as the raw materials market is gradually deregulated, the amount of state-allocated steel for the farm machinery industry will continue to decline, with a corresponding upward readjustment in its prices.

With that will disappear the farm machinery enterprises' only material advantage.

We can conclude from the above analysis that rural demand for farm machinery is both considerable and urgent in the Seventh 5-Year Plan and that both the output and sales of farm machinery will continue to grow on the basis of the expansion in the Sixth 5-Year Plan. During the Eighth 5-Year Plan, farm machinery sales will increase, but not too rapidly because of limited oil and material supplies. Nor will the output of farm machinery expand too fast.

[18 Mar 88 pp 4]

[Text] Below we look at possible supply-demand changes for specific products.

1. Large and medium-sized tractors. After shrinking for several years, the market for large and medium-sized tractors has now shown signs of improvement. In 1987, their output rose to 46,000 units, up 39 percent over 1986. Total sales for the year by the Farm Machinery Corporation were 44,000 units, an increase of 69 percent compared to the preceding year.

The rebound in the sales of large and medium-sized tractors was led by an upsurge in demand by state farms and economically developed areas. For instance, 11 major reclamation areas, including, Heilongjiang, Xinjiang, and Guangdong, said they need 12,000 large and medium-sized tractors over the next 3 years, one-fifth of the size of the existing fleet of such machines in the nation's agricultural reclamation system. Two counties in Jiangsu, Changzhou and Wuxi, proposed to acquire 965 medium-sized tractors within 5 years, almost the same number as they have now. Common to all these places are the compactness of their land, a shortage of farm workers, and a relatively strong collective economy. They will be the prime market for large and medium-sized tractors in the next few years.

In 1986 the sales of large and medium-sized tractors probably hit the lowest point in recent times and will climb steadily over the coming few years, with the average annual increase rate estimated at about 20 percent. Let us be most conservative and assume that one-quarter of the 300,000 such machines now in use beyond their years will be replaced. By 1990, we may need an additional 100,000 machines and, by the second half of the Eighth 5-Year Plan, 150,000 annually. Meanwhile, power per tractor will also increase from the present 32.2 kw (43.8 hp) to top 36.76 kw (50 hp.)

2. Small tractors. Judging from the situation today, the current fleet of small tractors is sizable, but it has some way to go before reaching a saturation point. This is because:

1) Backward impoverished areas, which still cover a large part of China, have barely emerged from the age of the "animal-drawn cart." Since the tractor is not a common sight there, the room for development remains ample.

2) As the commodity economy expands rapidly, rural freight volume will rise sharply in economically developed areas with good transportation, creating a new demand that cannot be met by the existing transport capacity. As a means of transportation, the small tractor is well suited to road conditions in the countryside. As a form of investment, it requires little outlay and pays off quickly. Thus it should become the rural transportation industry's best choice as it pursues development.

3) Small tractors now in use are of a low standard and quality and are ill suited to farmland processes. In addition, many operators know nothing about repair and maintenance and do not operate them in accordance with standard procedures, thus severely damaging the machines. Increasingly replacement has become a serious issue.

It must be pointed out, however, that the improvement of rural economic conditions is a gradual process. Too rapid changes might touch off a latent crisis. Because of overly rapid production and sales of small tractors in 1987, oil shortages worsened. Moreover, the small tractor industry is basically operating at full capacity at present, even as capital construction in enterprises is reeling from further cuts in state investment. We do not expect the growth momentum in small tractor production to stay at its present level for long. In the next 2 to 3 years, small tractor sales will remain brisk, with sales in 1990 hovering between 1 million and 1.1 million units. In the Eighth 5-Year Plan, the small tractor industry will slow down gradually primarily because of the oil and steel factors. Still, average annual sales will remain at the 1 million unit level as a result of the need for replacement.

### 3. Farming mechanization

The state of agricultural production in China in the last 2 to 3 years was not very satisfactory. Grain output has declined. Apart from natural factors, the main reason is a drop in agricultural inputs. In particular, we lack suitable machines for certain key processes, despite the fact that farm machinery is a vital productive force, and some machines and tools cannot be used together. This has directly prevented farming from growing even faster.

The grain problem has now been thrust into the lime-light. Four ministries and commissions, including the Ministry of Agriculture, Animal Husbandry, and Fishery and the State Machinery Commission, proposed in their "Report On Farm Mechanization Today," which was recently issued by the State Council, that they concentrate on the dissemination of farm mechanization technology in the future, including technology in these areas: the mechanization of rice tilling, seedling growing, and seedling transplanting; the mechanization of small-quantity sowing; the mechanization of comprehensive processes to increase the yields of dry crops; the mechanization of the sound application of chemical fertilizers

and pesticides; and the mechanization of the harvesting, dry treatment, and stalking of wheat, rice, and corn. During the Seventh 5-Year Plan, market demand will be strongest for machines with a high substitution value, such as those that plow, harrow, transplant seedlings, harvest, sow, return stalks to the land, sprinkle, ditch, and protect crops. Before prices, raw materials supply, product mix, the agricultural subsidy policy, and other economic relationships are worked out, however, the industrial sector is expected to provide the market with more of these products, but only up to a point. The demand for machinery across the country will not all be met at the same time.

#### 4. Machinery for diversified operations

The report by the four commissions and ministries, recently issued by the State Council, proposes that we focus on the dissemination of new mechanization technology in these areas as well: the raising and processing of poultry; the planting, harvesting, transporting, and storage of forage grass and fodder; the breeding and processing of aquatic products in fresh water and near beaches; the development and processing of special local products; the comprehensive utilization of drying equipment; the gathering, processing, storage, and growing of tree seeds; afforestation, soil preparation, and the tending of young and middle forests; and the processing of forestry byproducts. Machinery for diversified operations now available from the industrial sector falls far short of demand in variety, speed of development, technological level, manufacturing quality, reliability, practicality, and the extent to which the machines complement one another. As the countryside develops economically all around, the market for machinery for diversified operations will certainly continue to expand.

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#### Heilongjiang Beet Area

40060315a Beijing JINGJI RIBAO in Chinese  
4 Jun 88 p 1

[Excerpt] The area sown to sugar beets in Heilongjiang Province has increased from 3,800,000 mu in 1987 to 5,500,000 mu this year.

#### Cotton Area Increases

40060315b Beijing JINGJI RIBAO in Chinese  
20 May 88 p 1

[Excerpt] The estimated cotton area for 1988 is 81 million mu, an increase of 8,500,000 mu over 1987.

#### Hunan Cotton Tasks

40060315c Changsha HUNAN RIBAO in Chinese  
24 Apr 88 p 1

[Excerpt] In 1988, Hunan Province plans to sow 1.6 million mu to cotton, produce 2 million dan of cotton and procure 1.7 million dan.

### Scholars From Mainland, Taiwan Hold Seminar in Beijing

40050163 Hong Kong LIAOWANG OVERSEAS EDITION [OUTLOOK] in Chinese No 8-9, 1988 pp 43-44

[Article by Huang Rirao [7806 2480 5609] and Wang Peiyu [3769 0160 3768]: "Scholars From Both Sides of the Strait Holds First Seminar in Beijing"]

[Text] "The Chinese nation has a very profound culture which had its glorious moments in history" said professor Wang Xiaobo [3769 2556 3134], a Taiwan scholar invited to attend the seminar for scholars from both sides of the Taiwan Strait sponsored by the Taiwan Students Association. He was visiting his maternal grandmother in Nanchang before he came to the seminar. He stressed that restoring the prestige of the Chinese nation requires the concerted efforts and cooperation of intellectuals from both sides of the strait, and opening up the Taiwan strait that separates the Chinese nation and hinders the reunification of the motherland also requires the efforts of each and every one attending the seminar.

The Taiwan Students Association sponsored the seminar, which was the first of its kind, on 8 and 9 February in Beijing for scholars from mainland China, Taiwan, and overseas to conduct academic exchanges on such subjects as Chinese culture and prospects for academic exchanges. Wang Tuo [3769 2148], noted writer of native literature, who was visiting relatives in mainland China also attended the seminar and delivered an academic report under the title of "A Review of Controversy Over the Native Literature of Taiwan." Xie Yingying [6200 3853 3853], chairman of the Taiwan Students Association, said: The objective of this seminar is to promote normal academic exchanges between the two sides.

### Expectations of Scholars at Home and Abroad

Between late January and early February 1988, the Taiwan History Society sponsored a seminar on Taiwan history in Taipei and sent out invitations for mainland scholars Chen Kongli [7115 1313 4539] and Xu Bodong [1776 0590 2639] to attend. But due to the obstruction from the Taiwan authorities, the two mainland scholars could not make the trip and were only able to mail their theses. Wang Xiaobo, current chairman of the board of the Taiwan History Society, said at the Beijing seminar: "We were waiting for the theses of professor Chen Kongli and Xu Bodong. Professor Chen Kongli's thesis did not arrive until 2 AM on the morning of 29 January. We waited for Professor Xu Bodong's thesis until 3 AM on the morning of 2 February and we had to give up." He said it was a real shame.

In the past year or so, the academic circle of Taiwan has shown a strong desire for academic exchanges with the academic circle of mainland China. Many newspapers and periodicals have carried news and research items

about the academic circles on mainland China. In January 1988 CHUNGKUO LUNT'AN, a Taiwan magazine, opened a column, which was the first of its kind, called "Intellectuals and the Future of China" for intellectuals from both sides of the strait and for overseas Chinese intellectuals to publish articles to express their opinions and discuss the future of China.

In an article entitled "Overseas Intellectuals and the Modernization of Chinese Society," Ma Liqin [7456 4539 4440], a sociology professor of the Lamar University of the United States pointed out: "Taiwan and mainland China have become two very different societies because they have been separated for nearly 40 years under the control of two completely different political ideologies and parties and have had different experiences in social, economic, and cultural development. He thinks that overseas intellectuals can play the role of "medium" in the process of scientific and technological, cultural, and ideological exchanges and contacts between both sides, coordinate intellectuals between the two sides in sponsoring different scales of seminars and forums on national issues, help narrow the gap of knowledge between the two sides, and create conditions for China to bring about a peaceful reunification.

In the above article, Professor Ma Liqin said: "Most overseas intellectuals have the national consciousness that they are all Chinese descendants, share the same ideal of "Great China," and prefer that China can be reunified in the future."

As the Taiwan authorities relaxed restrictions on visiting relatives, academic exchanges between Taiwan and mainland China have become an irresistible trend.

### The Culture and Future of China

Ignoring his travel fatigue and illness, Wang Xiaobo, professor of the International Journalist College of Taiwan, who had just arrived in Beijing, readily agreed to deliver the first academic report at the seminar. On the afternoon of 8 February, Professor Wang Xiaobo delivered his academic report entitled "The Evolution and Characteristics of Chinese Intellectuals." In this report, fully demonstrating his expertise in the study of Chinese philosophy, he cited examples from various schools of thought and their exponents to ancient political systems to explain how Chinese intellectuals "reflected the voice of the people and criticized government affairs" by holding discussions of national issues.

When the chairman of the seminar announced that it was time to ask questions, Professor Chen Guying [7115 7849 2019], a friend of Professor Wang Xiaobo in Taiwan and a visiting professor of the Beijing University, was the first to stand up and speak. He said: I fully agree with what Professor Wang Xiaobo said about Chinese intellectuals' tradition of discussing political issues. He thought this tradition was the motive power of the development of Chinese society. However, he told

Wang Xiaobo: "I do not agree with what you just said about Confucius' view on 'scholars,' especially the part on 'common people not discussing political issues.'" Professor Wang Xiaobo replied: "I think Confucius' remark that 'common people should not discuss politics' was made under a certain condition, namely, when the state was in good order." Since neither one could convince the other, the debate carried on at the dinner table.

Feng Yuan [7458 1254], wife of Wang Ruoshui [3769 5387 3055], asked Wang Xiaobo such a question: "Is it possible to reform the tradition of Chinese intellectuals?" After pondering for a minute, Wang Xiaobo replied: "In my opinion, it is a little difficult to carry out a reform of intellectuals because intellectuals themselves cannot form a class [jieji]. They are only a stratum [jieceng]. Although intellectuals have always had their own ideal characteristics, they are still attached to the state. Therefore, it is possible to reform intellectuals as individuals, but it is very difficult to reform them as a group."

Wu Guozhen [0702 0948 2823], member of the board of the Taiwan Students' Association and researcher of the Chemical Institute of the Chinese Academy of Sciences, brought up a question of whether there was a change of nature between Chinese intellectuals after the "May 4th" movement and intellectuals in the traditional sense. On this question, Wang Xiaobo thought that the changes of intellectuals after the May 4th movement were related to contemporary Chinese history. At that time, intellectuals volunteered one after another to save the country. However, he was not sure whether there was a change of nature between intellectuals at and before that time. He said this question needed further discussion.

The future of China is tied to the fate of intellectuals, and Chinese culture is the subject of close concern and involvement of intellectuals. The fact that scholars from both sides of the strait can discuss this question face to face is conducive to not only the modernization of Chinese culture but also the reform and renovation of Chinese society.

#### Prospects for Academic Exchanges Between the Two Sides

Gu Fang [0657 2455] from the Institute of Philosophy of the Chinese Academy of Social Sciences is specialized in the study of Chinese philosophy. He thought that since both sides of the strait share common cultural heritage, they should be able to conduct a wide range of exchanges. He said that due to political reasons, some valuable historical data were stored on one side of the strait while others on the other side, causing many unnecessary losses to the study of Chinese culture and creating a strange phenomenon that in some areas the Japanese are even more authoritative than the Chinese. Besides, many years of separation has caused scholars from both sides of the strait to engage in the research of duplicate subjects in the area of traditional culture, thus

creating a vast waste of energy for Chinese intellectuals, which is a real shame.

Scholars from both sides of the strait cannot help but raise the issue of duplicate research in every discussion, and almost everyone is aware of the urgency in cultural exchanges between the two sides. But just like Wang Xiaobo said: "We are devoted to academic exchanges between the two sides, but I am an intellectual, not a person in power, so I do not know if this kind of effort can achieve results." Recently, 12 organizations in Taiwan jointly formed an association for the promotion of the reunification of China. It is reported that this association, in the current stage, is devoted mainly to promoting academic exchanges and economic and trade relations between the two sides.

Based on the situation of Taiwan and the prospects for academic exchanges between both sides of the strait, Liao Qizhong [1675 4428 1813], former chairman of the Taiwan Students Association, suggested that along with increasingly extensive academic exchanges between the two sides, mainland China should overcome the phenomenon, in which each unit and department does its own thing and fails to communicate with others, and establish as soon as possible an inter-unit association to promote academic exchanges between the two sides. He believed that such an organization could save manpower and material resources and achieve greater results than unorganized exchange activities.

While talking about concrete exchange issues, Chen Guying said that Taiwan scholars may find themselves in two situations when they come to mainland China: one is they will feel more and more depressed after hearing people on the mainland relate their sufferings during the "cultural revolution;" the other is they will find the academic circle of the mainland very active, not as ossified as they thought. As a matter of fact, the academic circle of mainland China has made many unknown but highly recommendable and proud scientific achievements in both natural and social sciences.

When Wang Tuo, head of "JEN CHIAN," a magazine in Taiwan, was told that there were over 600 kinds of literary publication and numerous enthusiastic readers, he exclaimed in admiration: "So many! If I did not hear it myself, it would be hard for me to even imagine that there are so many."

Professor Xu Bodong who was rejected by the Taiwan authorities also came to Beijing from Xiamen to attend the "Academic Seminar for Scholars From Both Sides of the Strait." He repeatedly said that there was no reason for the Taiwan authorities to prevent him from going to Taiwan to attend the seminar on Taiwan history.

It is reported that the Taiwan Students Association is planning to sponsor another such seminar of a still greater scale in Beijing during this summer vacation.

## SOUTHWEST REGION

### Work Report of Xizang People's Higher Court 40050243 Lhasa XIZANG RIBAO in Chinese 10 Feb 88 p 2

[Speech by Yi Sang [4135 2718], deputy head of the Xizang Autonomous Region People's Higher Court: "Work Report of Xizang People's Higher Court; 18 January 1988 at Sixth Session of the Fourth People's Congress of the Xizang Autonomous Region"]

[Excerpts]

Representatives:

In the past 6 months, people's courts have done the following work:

First, they have continued to implement the principle of sternly and quickly punishing according to the law criminal elements who seriously threaten social order and the principle of severe punishment according to the law of criminals who seriously damage the economy, sternly attacking serious criminal activity and further expanding the might of the people's democratic dictatorship.

Second, they have actively begun civil and economic trial work and centered on thoroughly implementing "General Rules of Civil Law," ensured the normal progress of civil and economic activity along the socialist track.

Third, they have studied and analyzed the current situation, new situations and new problems facing trial work in our region's people's court and worked hard to improve the level of trial work.

Fourth, they have strengthened the building of the court contingent upheld the four basic principles, maintained the unity of the ancestral land, opposed splittism and strengthened the disciplined nature of cadre and police organization; strengthened the basic-level and carried out cadre training.

Now, I would like to report to you briefly on the situation in some important work items.

#### I. Continue To Uphold the Principle Of "Two Attacks," Severely Punish Criminals Who Seriously Threaten Social Order and Severely Damage the Economy

From July to the end of December, 1987, cases in seven key attack areas such as, murder, injury, robbery, rape, and hooliganism, made up 65.3 percent of the total number of criminal cases tried region-wide. In trials, the policy of severity and swiftness according to the law has been carried out resolutely and correctly, those who have been sentenced to death or more than 5 years in prison made up 42.8 percent of all criminals, criminals in the

seven key areas of attack made up 86.3 percent, criminals sentenced to life imprisonment or execution (including stays of execution) all were criminals in the seven key areas of attack. In the last 10 days of September, 1987, the middle-level people's court in Lhasa executed according to the law the two first-degree murderers (Gesang Zhaxi) and (Chili Jiancan). Because of this, the Dalai Clique and several U.S. senators viciously started a rumor attacking us for "violation of people's rights in Xizang" and "killing two political criminals." Everyone knows that murder is the crime of illegally taking the life of another. This is the most serious criminal behavior among crimes against personal rights, is an extremely great danger to society, has always been a key of attack and in any country is something to which the law should apply severe sanctions. The murderer (Gesang Zhaxi) murdered the young worker (Bianba Ciren) at night in Linkali, the murderer (Chili Jiancan) murdered the innocent peasant (Losang Yixi) in broad daylight, the vileness of the circumstances, the cruelty of the means, and the severity of the consequences makes one boil with anger, it severely damages the safety of the people, interferes with development of production, national laws do not permit it, and the anger of the people is hard to placate. These two were out-and-out murderers and not any sort of political criminals, and dealing with these two criminals in accordance with the law was to protect and guarantee the personal rights of the broad masses of the people. The contemptible trick and shameful attempt of the Dalai Clique and the U.S. senators' confusing right and wrong and their malicious attack can only show that they have an ulterior motive with the result that they only pick up a rock and smash their own foot. At the end of September and the beginning of October 1987 a small group of splittists caused two riots in Lhasa, destroyed the unity of the ancestral land and the solidarity of the people, injuring cadres and police, burning houses, and burning automobiles, seriously violating the constitution and breaking the law. Such serious criminals who endanger social order must be restrained by the law. China's laws are a powerful weapon to safeguard the people, attack the enemy, punish crime and serve the four modernizations. The people's courts serve as the state machinery of people's democratic dictatorship, and in the struggle to maintain the unity of the ancestral land and oppose the splittism, they must make a firm and clear-cut stand.

While attacking criminal activity that seriously endangers social order, they continued to carry on the struggle to severely attack serious economic crimes. In the past 6 months, people's courts region-wide have tried 59 cases of various types of economic crimes, convicted 77 criminals, attacked the arrogance of criminals who damaged the economy, and recovered over 2.8 million yuan in economic losses to the state and collective.

#### II. Actively Launch Civil and Economic Trial Work

In the past 6 months, people's courts region-wide have tried 805 civil cases, including 411 divorces which makes

up 51.1 percent, 42 property disputes, 34 housing disputes, 5 inheritance disputes, 76 debt disputes, 29 compensation disputes, 76 child-raising related disputes, 50 marriage and family disputes, 30 hill forest, land, grassland, and water conservancy disputes, and 52 other types of disputes. Civil cases are the most numerous among the cases tried by the people's courts, but most cases are handled by the basic-level people's courts. In circumstances where personnel are few, conditions are poor and tasks heavy, they have upheld operating in accordance with the law and have performed their tasks rather well. In addition, they have improved professional guidance of the basic-level mediation organizations and, according to incomplete statistics, in the past 6 months, the basic-level mediation offices have handled over 5,000 simple civil disputes.

In the past 6 months, people's courts at various levels have handled 147 cases of various types of economic disputes, including 74 buying and selling contract disputes, 6 shipment of goods contract disputes, 18 building construction contract disputes, 13 loan contract disputes, 4 processing contract disputes, and 32 other economic contract disputes. The total value of the suits was 4.4726 million yuan. In handling cases we "emphasized mediation," thus over 70 percent of the economic disputes were settled through mediation, and expediting mediation work was done and gained the support of the units involved and upper echelon agencies fulfilling the obligations of the executors or promptly adopted litigation saving measures in accordance with the law providing conditions for execution. When hearing economic contract disputes, they departed from the cycle of handling the case in question and noted problems of law breaking.

### III. Adapt To the Demands of the Situation, Strive To Improve the Level of Trial Work

The situations currently facing trial work in our region's people's courts are primarily the following:

1. Criminal trial work still faces a complex situation and arduous mission. From the perspective of the criminal cases accepted and heard by our region's people's courts, since 1986, cases have increased, in particular there have been some very vicious cases, seriously endangering social order and the personal safety of the people. What should incite our serious concern is the maintenance of the unity of the ancestral country and the struggle against splittism which are outstanding problems for our region now and will be for a long time to come. The Dalai Clique will still use various means to carry on splittist activity for "Xizang independence" and the counterrevolutionary organizations and small group of splittist elements within the region also will further collude with the Dalai Clique, cause riots and carry out destructive activity. As reform, relaxation and invigoration are further grounded in our region, and with the further development of economic construction and other undertakings, this struggle will become sharper and more

complex. Furthermore, economic crime cases are increasing and in recent years economic crime cases made up on average 48 percent of the total number of criminal cases. Moreover, some major cases occurred, frequently involving collaboration within and without, collusion of upper and lower levels, using authority, forming relationships, and secret and crafty methods which are hard to try. For a variety of reasons, the major cases in economic crime will decline, but robbery cases have become very prominent in recent years. Robbery cases make up 6.5 percent of the total number of economic crime cases. Particularly important robbery cases sometimes occur and this is a very complex task in criminal trial work.

2. Civil trial work accounts for the bulk of our region's people's court trial work. On average, it accounts for 72 percent of the total volume of cases handled by the court. Furthermore, under the new situation of reform, relaxation and invigoration, the content and types of cases have changed and increased. In addition, annually on average over 4,000 simple civil disputes are mediated. Basic-level people's courts also are responsible for professional guidance of people's mediation committees and since judicial executive organs have not been established at the county level in our region, the basic-level people's courts actually are in charge of all mediation organizations. A current problem deserving of attention is that it is rather common for ordinary civil disputes to escalate into criminal cases, and in recent years 48 percent of the injury and murder cases tried have been created out of disputes between people. This is a complex social issue which requires overall control by all areas of society.

3. Economic trial work has only been underway in our region for a few years but it is coming to reveal its importance, and we are confronted with a tendency for cases to increase greatly. Since 1983, the average annual increase has been 170.3 percent. With the further development of a commodity economy of reform, relaxation, and invigoration, the tendency for a significant increase in economic disputes will continue for a relatively long time to come. Not only is the volume of cases increasing greatly, but the different types of cases are also increasing and the size of the judgments is becoming larger. Cases involving parties outside the region account for over 60 percent, some cases are very complex, and are very difficult to try and enforce. At the same time, such criminal activity as using signing of economic contracts for illegal management and speculation and fraud is clearly increasing, and the task is becoming heavier.

4. Administrative trial work is beginning to increase. There are now nearly 30 laws and very many rules and regulations which stipulate that administrative cases can be taken to people's courts for trial or that the people's court can be petitioned to compel enforcement. On the

basis of the situation in our region, starting up administrative trial work is imperative and preparing to construct administrative trial offices at the higher- and middle-level courts is a new task confronting our trial work.

In addition, the Fifth Session of the Fourth Autonomous Region People's Congress decided that our region should study, apply and expand the Tibetan language. This is an important matter of strategic significance and we should resolutely implement this in trial work.

To adapt to the new situation and missions, in the past 6 months people's courts at all levels in our region have been trying to improve the level of trial work and have stressed the following:

First, correct guiding thinking in case-handling. In case-handling we should make the two fundamental points of the line, principles and policies since the 3d Plenary Session of the 11th Party Central Committee and set down by the 13th Party Congress, self-consciously uphold the four cardinal principles, and to serve the maintenance of unity of the ancestral land, strengthen the unity of our peoples, maintain a political situation of stability and unity, uphold the general principles and policy of reform, relaxation, and invigoration, to serve the promotion of development of productive forces in society, fully utilize and exploit the trial function role of the people's courts to achieve the goal of ensuring the construction of a unified, rich, and cultured socialist Xizang.

Second, uphold the basic principles of case-handling. Thoroughly implement the basic principle of "facts as the basis, the law as the criterion" throughout hearing cases and no matter what the obstruction or resistance not vacillate but stand firm.

Third, correctly carry out the principles and policies formulated by the party and state.

Fourth, reform case-handling style and case-handling method.

Fifth, give importance to and expand the social consequences of case-handling. Through trial activity, actively participate in the overall governance of social order. The primary methods of doing this are: 1) through public trials and pronouncing judgment use the case to explain the law and carry out propaganda and education on the legal system; 2) promptly and correctly handle disputes among the people and try to resolve the dispute in the embryonic state to prevent them escalating into a contradictions; 3) observe and study criminals who have been put on probation, put under surveillance and exempted from punishment and assist departments concerned to carry out educational measures. For cases of civil and economic disputes for which the law has already proved effective, actively conduct interview and enforcement work so that the lawful rights of the parties

involved are realized; 4) adopt a variety of judicial proposals so that concerned units will establish strong and necessary systems of regulations and improve administrative control and plug loopholes.

Sixth, uphold proceeding from Xizang's actual situation. In developing criminal trial work, resolutely implement the central committee's policy on criminals among minorities and uphold fewer arrests, fewer executions, and handling cases with appropriate leniency. With regard to using the death penalty especially, make checks at all levels strictly, one cannot be too careful. All cases involving nationality and religious questions and upper echelon united front personnel, be especially careful when handling the case. In civil and economic trials, pay careful attention to the special situation of nationality regions and proceed from the overall situation of benefiting unity of nationalities.

#### **IV. Strengthen the Building of a Court Contingent, Strengthen the Basic-level, Train Cadres Well**

In the past 6 months, we have mainly carried out the following work:

1. Conscientiously studied the documents of the 13th Party Congress and strengthened education on upholding the four cardinal principles.
2. Strengthened thinking, discipline and judicial professional moral education, and strengthened the sense of organizational discipline.
3. Strengthened the basic-level and supplemented the authorized strength of prefecture- and county-level courts. The number of persons in the county-level people's courts increased 6.4 percent over the previous number and after the local and municipal middle-level people's courts increased administrative trial offices, it increased 21.2 percent over the previous number. We checked on the quality of incoming personnel, provided leadership teams for county-level courts, and by the end of the year, all were well established, except for isolated county-level courts.
4. Engaged in professional training of trial cadres. Our region's court cadre after-hours Xizang branch law school has adopted release from work for study for a year and a half and in circumstances where manpower, materiel, and finances are in short supply, we have carried on and made some achievements. In the past 6 months, the autonomous region's higher people's court and some middle-level people's courts have held cadre training classes and trained over 100 judicial officers and secretaries. In addition, we have asked the higher-level people's court and judicial personnel of courts in fraternal provinces and municipalities to give us lectures on "General Civil Law" and "Economic Law" which has improved professional quality.

**Xizang Procuratorial Work Report**  
*40050242 Lhasa XIZANG RIBAO in Chinese*  
*11 Feb 88 p 2*

[Speech by Feng Xiangguan [0023 6272 6034], deputy head of the Xizang Autonomous Region Procuratorate: "Xizang Autonomous Region People's Procuratorial Work Report; 18 January 1988 Sixth Session of the Fourth Autonomous Region People's Congress"]

**[Excerpts] Representatives:**

I report to you on procuratorial work since the Fifth Session of the Fourth Autonomous Region People's Congress.

**I. Sternly Attack Serious Criminal Economic Activity To Ensure the Economic Construction and the Smooth Progress of Reform, Relaxation and Invigoration**

Since the last session, procuratorial agencies at all levels have filed 31 cases of economic crimes and 34 criminals have been arrested in accordance with the law; 34 cases involving 39 persons have been prosecuted; and over 920 thousand yuan in economic losses have been recovered for the state. In addition to economic cases which have been concluded we have clues to investigating other cases of economic crimes. In terms of the situation in economic crime, 1) cases of economic crimes involve a broad area and many personnel. 2) cases of graft and taking bribes are prominent with criminals using their positions to engage in criminal activity. Graft and taking bribes account for 52.9 percent of the total number of cases. 3) the danger from fraud is big with the criminals mostly being social idlers which seriously influences the production and management of the units affected. 4) Illicit schemes for tax evasion are serious, with the criminals generally being individual businessmen. This type of crime not only causes economic loss to the state, collective and individual, but even causes disastrous effects which endanger the safety and health of individuals. 5) the methods of economic crimes become more crafty and deceptive daily. Grafters turn direct use into misappropriation, and once the criminal activity is exposed they falsify the date of misappropriation and alter the accounts to avoid attack.

Procuratorial agencies at all levels have integrated the local situation and adopted forceful measures to sternly attack economic criminal activity.

1. Concentrating forces to break major cases. Where economic criminal activity is prominent, procuratorial agencies have concentrated their superior forces and have implemented chief procurator responsibilities and a responsibility system of set personnel, set times, and set duties handling a case with leadership cadres taking the lead. By investigating and breaking some major cases they have attacked the arrogance of criminals. They have

urged a group of economic criminals to give themselves up and confess the facts of their own crimes. This both attacks the criminal and also rescues some people.

2. Relying on the guidance and supervision of party committees and people's congresses at various levels and with the united effort of fraternal departments they have waged total war. Investigating cases of economic crime involves a great deal of resistance and much interference, thus while handling cases independently, Procuratorial agencies at all levels actively take the initiative to ask for instructions and report to party committees and the people's congress, conscientiously handle and transmit cases, carry on special investigation research and to provide the basis for party committee policy making. With the guidance and support of the party committees and the people's congress they have eliminated resistance and interference and have investigated some very tough cases. At the same time they have also paid attention to united effort and close cooperation with public security, court, party discipline inspection, industrial and commercial, tax and customs departments, and have vigorously advanced the in-depth development of attacks on economic crimes.

3. Dare to encounter resistance, uphold principle and handle matters according to the law. Among serious economic criminals, after breaking the law and committing a crime, some party members and leadership cadres in particular relied on a protective layer, network of relationships, ignored the laws, impeded the investigation and even publicly threatened and attempted to bribe the personnel handling the case. Procuratorial agencies at various levels have withheld the pressure, upheld principle, handled matters according to the law and won the trust and praise of the masses.

4. Attack economic crimes, protect the promotion of reform and economic construction. The basic aim of attacking serious economic crime is to protect reform, relaxation, and invigoration and to promote the development of productive forces. In their guiding thinking and practical work, procuratorial agencies at various levels pay attention to integrating the two closely, utilizing typical cases, conducting propaganda and education about the legal system so that cadres and masses will know and understand the law, do business according to the law, become well-to-do according to the law, and prevent crimes and deception; through developing procuratorial proposals, promote constant improvement in management and the system; actively pursue stolen money and goods to recover economic losses for the units affected so their productive and management capacity is restored.

5. Handle cases strictly according to the law, understand correctly the bounds of law and policy. In the struggle to attack economic crime, procuratorial agencies at various levels handled cases according to the law very strictly in accordance with the principle of "be both resolute and precise", for cases in which the bounds of law and policy

were rather clear, stress mastery of the bounds of the law and policy and uphold facts as the foundation and the law as the criterion and operate strictly according to legal procedures; for cases which are difficult and controversial, handle them definitively after repeated research and soliciting the views of departments concerned; for uncertain cases, promptly ask the party committee for instructions and report to upper echelon professional departments for guidance and work hard so that the case in question can stand the test of history.

Through severely attacking major economic criminal activity, to a certain degree, major cases were prevented from escalating. The rate of economic crime cases detected in the first half of 1987 dropped by 14 percent over the same period in 1986.

## II. Sternly Attack Serious Criminal Activity and Maintain Normal Social Order and a Stable and Unified Political Situation.

Since the Fifth Session of the Fourth Autonomous Region Congress, procuratorial agencies in our region have arrested 225 criminals; 171 cases involving 207 persons have been prosecuted; and 15 cases involving 16 persons have been dismissed.

Some new situations and directions have recently appeared in criminal activity in our region. Their main features are: 1) the struggle between splitting and anti-splitting has become acute and complex and gone from concealed to open. The criminal activity of the Dalai Lama Clique's country-splitting has gone from such destructive activity in the past as putting up counter-revolutionary posters, infiltration, inciting defection, violence, and assassination and bombings to collaborating with a few splitter elements within the region and publicly causing riots; 2) major vicious cases are prominent. In the last half of 1987, major cases increased 32.67 percent over the same period in 1986; 3) thefts are serious. This type of case is in first place among criminal cases. Arrests of thieves make up 59 percent of the total number of arrests made by procuratorial agencies; 4) There has been a large increase in the proportion of cases involving outsiders. Cases involving outsiders in the Lhasa region alone rose from 70 percent in the last half of last year to 77.2 percent. This is an important reason for the instability of social order in our region; 5) crimes committed by young people have become a serious social problem. Young criminals make up 61 percent of the total number arrested, including a fairly large group of unemployed youth and individual students still in school.

The above situation shows that social and public order in our region is complex and the task of improving social order is a fairly large one. Focusing on this situation, procuratorial agencies at various levels coordinate closely with public security, court, and judicial departments and using stern attacks as the primary method,

stress comprehensive management of social and public order through combined attack, prevention, reform, education, and construction. The main methods are:

1. Conscientiously carry out the principle of "sternly attack" and direct the attack against the small minority of splitters which is destroying the ancestral land and the criminals who engaged in such things as murder, robbery, theft, assault, rape, and the mainstay of criminal gangs. In struggle, adopt measures of "special attack, special control" and punish heavily and swiftly serious criminals whose influence is destructive and a serious danger and are soundly hated by the masses. In work adopt methods of early intervention, accelerate and improve the quality of case handling. After the 27 September and 1 October riots broke out we sent some leading cadres and a small number of competent police for early intervention, investigation and preliminary examination who through hard work were successful in putting down the disturbance and restoring normal order.

2. Continue implementing the principle of "handling with appropriate leniency" with regard to criminals among the minority peoples, as characterized by the two words "Accuracy" and "Leniency" so that one is strict when appropriate and lenient when appropriate, integrating strictness and leniency is beneficial for ethnic unity and the stability of the border areas. We conscientiously carried out the directives of the central committee in enforcing the law and carrying out monitoring of the law, with attention to distinguishing the boundaries between criminal and non-criminal and between serious crimes and lesser crimes. In the handling of cases the crime investigation work systems such as entering the case in the records and investigation were strengthened. We strictly ensured arrest and prosecution, and adhered to arresting those whose crimes warranted arrest, not arresting those who did not have to be arrested, and did not execute those whose case could have warranted their execution, and conscientiously implemented the policy of "for confession be lenient, for resistance be severe" and differentiating treatment for different situations. At the same time, we discovered mistakes and resolutely corrected them.

3. Strengthen investigative activity, trial activity and supervision of reform through labor and reform through education camps. In the last half of last year [1987], in three cases which were returned to public security agencies for additional investigation the arrest of five persons was not approved and the public security agencies had not presented demands for reconsideration and review; in accordance with the law, five written appeals were presented to the court, the court amended the judgments in four cases, which is a appeal success rate of 80 percent; cadres and police were organized for an in-depth study of reform through labor and reform through education units and detention facilities and in conversations with inmates learned of the situation, understood the attitudes and focussed on the ideological situation of the

criminals and some problems which were reflected, implemented the party's principles and policies and propaganda and education on the legal system so that criminals admitted their guilt and followed the law and conscientiously reformed. For some anti-reform "jianzi leaders" and recidivist criminals, punishment was increased in accordance with the law and normal prison order was maintained. At the same time, corrective views on some problems which exist in prison reform camps were promptly presented, enlightened law enforcement was promoted, and improvement of the management prison reform camps was constantly strengthened.

**4. Work hard at comprehensive control of social order.** Comprehensive control is fundamental for long-term public order as well as an important task for procuratorial agencies. Under the unified leadership of party committees at all levels, in addition to actively participating the comprehensive governance of all society, procuratorial agencies also work hard at comprehensive governance within their range of responsibility. Through supporting public prosecutions at court, cooperating with the courts and public security with regard to the public trial of some major cases, utilizing such forms as indictments, charges, and court debate, they carried out legal system propaganda and education of the masses; they integrate case handling focussing on problems in the unit where the case began and promptly present investigation proposals. They helped plug loopholes, prevent and reduce crime; transfer cadres and police to carry out education in the general law and consultation on the laws; conscientiously follow-up education of personnel who have served their sentences and been released, those released from education camps and personnel who have avoided trial. They also helped these people find a means of support.

### **III. Strengthen Inspection of Discipline, Accusation and Appeal, Protect State Interests and the Lawful Rights of the Citizens**

In recent years, some state employees and leaders in our region have repeatedly violated the law and discipline. Some have used their authority for selfish purposes to attack and retaliate and harm others; some have neglected their duties and engaged in serious malfeasance causing major losses to the state; some have illegally taken into custody, extorted confessions through torture, and willfully encroached on the democratic rights of the citizens; some have made their word law, used their authority to suppress the law, bent the law for the benefit of relative and friends, and seriously damaged the honor of the law. The reaction of the masses to this is very fierce.

Procuratorial agencies at all levels in our region have constantly strengthened inspection of law and discipline. 1) the law and discipline inspection apparatus has been strengthened and leadership forces and case handling forces have been deployed; 2) through propagandizing

the quality, scope and significance of law and discipline inspection work, nationalities throughout the region have been called to struggle with law and discipline crimes; 3) improving situations and characteristics with regard to law and discipline crimes and carrying out survey and research, some clues to law and discipline crimes have been found, the experience of comprehensively launching law and discipline inspection work has been summarized in a preliminary way, and some law and discipline cases, such as dereliction of duty, bending the law for friends and relatives, mishaps resulting from major negligence, illegal detentions, illegal searches and extortions of confessions through torture have been discovered lawfully. In the last half of last year, eight law and discipline cases filed and investigated; nine criminals were lawfully arrested; seven cases involving seven persons were brought to trial; and the courts handed down guilty verdicts in all cases.

In handling cases of law and discipline, most procuratorial agencies dare to encounter resistance, and enforce the law impartially. They upheld the principle that all people are equal before the law, eliminate all resistance and interference from outside and struggle lawfully with crimes of law and discipline.

Since the fifth session of the Fourth People's Congress of the autonomous region, procuratorial agencies at all levels have accepted 262 cases (instances) by mail and interview, and have handled them through letters and interviews from the masses. On the one hand some clues to violations of the law have been found, some cases have been broken, some errors in work have been promptly corrected, and some unjust, trumped up and misjudged cases have been redressed. Also, some problems have been discovered in cadre and police discipline and work style which have been beneficial to improving work.

### **IV. Strengthen Self-improvement in Procuratorial Agencies, Work Hard To Improve the Political and Professional Character of Cadres and Police**

In cultural and professional education, stick to primarily on-the-job training and at the same time adopt multiple channels training of cadres at multiple levels, times, and locations. In addition to selecting some cadres and police to be sent to institutions of higher learning inside and outside the region for study away from the job, we have also used such forms of cadre training as training courses, short courses, apprenticeship young cadres to older ones and actual cases. During this period 39 cadres and police who are currently employed have received training at schools and colleges at various levels, which has effectively improved the educational and professional composition of cadres and police, a contingent of investigators who are primarily minorities is gradually developing. This contingent has been tested in enforcing the law and tested in the splittist-antisplittist struggle and is basically good and can be trusted.

In building a leadership team, we actively coordinated party committees and organizational departments at various levels so that a group of first-class cadres who are in their prime, especially ethnic cadres, have joined leadership teams at various levels and taken a step in the direction of the goal of cadre "four transformations"; in reform of the procuratorial agencies themselves, a system of personal responsibility has been strengthened, some have set up self inspection contingents, strengthened internal supervision and restrictions, and ensured case-handling quality. At the same time pilot structures have also been set up in tax agencies for inspection dispatch structures.

Although some accomplishments have been made in procuratorial work since the Fifth Session of the Fourth People's Congress, there is still a very big gap between our work and the demands of the upper echelons, this is evident in: the responsibilities granted to procuratorial agencies by the law have not yet been fully accepted; there are still some errors in our work, existing case handling quality is not high and individual errors even occur; the special privileges thinking of some cadres and police is very severe, they practice favoritism and engage in fraudulent practices, they break the law in enforcing the law, and even take the path of crime; there are still some problems in the leadership system of procuratorial agencies in cadre management in that they lack vitality and vigor; the problems that the numbers of procuratorial cadres and police tend to be small, ages tend to be old, and the practical educational level tend to be low, still exist and in some places are rather outstanding; we still lack the modernized technological methods and equipment necessary for struggling with crime in the new situation, the conditions in some branch, municipal and county courts are poor, and there are still many practical difficulties in professional expenses, office space, housing, and means of communication.

Representatives: While we affirm the better situation, we still must note soberly that the turn for the better in social order is still not stable, not consolidated, the struggle of the splittists and the antisplittists in the 30 years since the peaceful liberation of Xizang is sometimes warm and sometimes violent, but it has never stopped. In recent years, with the implementation of a series of central committee principles and policies for Xizang, our region's economy has constantly developed, the people's standard of living has clearly improved, the terror and despair of the Dalai Clique increases daily and they carry out with greater intensity their secret plot to split the ancestral country. This struggle will continue, major criminal cases will continue to occur, the arrogance of major economic criminals has not been completely suppressed, and in many areas there are still some unsettled factors laying in wait. We must maintain a high degree of vigilance and clear-headed understanding and cannot lower our guard and relax our will to fight.

## NORTH REGION

**Beijing's Two Female Deputy Mayors Profiled**  
*40050226 Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 187, 16 Apr 88 pp 39-41*

[Article by Han Yang [7281 2799]: "An Interview With Wu Yi and He Luli, deputy mayors of Beijing; Two Female Political Stars"]

[Text] Number 2 Zhengyi Lu, Beijing, the building of the People's Government of the city just gained two new female residents, Wu Yi [0702 0398] and He Luli [0149 7627 7787]. In Beijing, female deputy mayors are not really rare; there were Fan Jin [5400 3866] and Lei Jieqiong [7191 3381 3890] who served at different times previously. Simultaneous election of two females to take over two-sevenths of the total number of deputy mayors is an unique event, however. It is said that their background and personality are rather unique as well.

### Daughter of a Former Mayor of Beijing, a Mixed-blood Offspring of Chinese and French

If we should start with tracing the political background, the successful election of He Luli appears to be rather obvious. She is an alternate member of the People's Revolutionary Central Committee of KMT. According to an unwritten rule of the CPC, there should be one democratic person among the mayors of Beijing in each session. This seems to have become an established rule not only in Beijing but also in other large cities. This slot has been reserved for women in the 3 metropolises of Beijing, Shanghai, and Guangzhou. In addition to Xie Lijuan [6200 7787 1227] of Shanghai, Chen Qiqi [7115 4860 4860] of Guangzhou, there is now He Luli of Beijing.

There is something else unique about He Luli. Her father, He Siyuan [0149 1835 3293] served as mayor of Beijing under the KMT government, 42 years ago. If this can be said to be an historical coincidence, her French mother Xiang Yiwen (transliteration of French) should make her election even more dramatic. Members of Beijing Municipal People's Congress cast their votes to elect a half French woman to be their own "parental official." This is indeed a liberalized concept.

He Luli was born in Jinan of Shandong Province on 7 Jun 1934. At the time, her father was the head of the education department of the KMT government of Shandong. In his younger days, he studied economics and philosophy in France. His wife, a brown-haired, brown-eyed Bordeaux woman, was his classmate in the University of Paris. Today, a trace of the mother may still be detected from the eyebrows, eyes, and skin of the daughter. After the outbreak of the war of resistance against Japan, her father was promoted to become chairman of the provincial government. When the victory was won, in the midst of the shouts of the students against hunger and civil strife, he accepted the position of mayor of

Beijing. He Luli arrived at the old Capital from Shandong in early 1947 to find her father being harassed by the students into an utter dismay.

The political choice He Siyuan made at that time was to end the life of tranquillity and affluence for He Luli and her 4 siblings. The father was expelled from KMT in the summer of 1948 while a war in North China appeared imminent. With the soldiers just outside of the gates of the city, he gave up the seat reserved for him on the airplane in Dongtan Airport, fueled to depart for Taiwan. Instead, he busied himself to obtain peaceful transfer of power in Beijing. For this reason, KMT special agents placed 2 time bombs in his Siheyuan residence of Xila Hutong. One exploded in the bedroom of He Luli and her sister. Her sister was killed immediately and she was buried under the rubble. Her parents ran toward that part of the house where the bedroom was located when the second bomb exploded just behind them in their bedroom. These bombs prompted He Siyuan to make up his mind finally. The family would neither escape to the south nor run to France. He would stay in Beijing awaiting replacement as its mayor. At the head of the delegation of the Senate of Seven Provinces and Cities of North China, he journeyed to the Communist controlled region to participate in the negotiation for the peaceful liberation of Beijing.

#### Practiced Medicine for 27 Years, Not Just a Decoration in the Political Arena

In the ensuing years, the scholar politician He Siyuan resumed his life as a scholar. Aside from attending the Chinese People's Political Consultative Conference [CPPCC], he served as an editor for Renmin Chuban She (People's Publishing House) and Shijie Zhishi Chuban She (World Knowledge Publishing House). Until his illness and death in 1982, he spent more than 30 years translating a large number of books into Chinese using his skilled knowledge of French, English, and German. He Luli loved and respected her father. She said: "The deepest impression of him is his love of learning. Under his influence, my generation and the next in the family all love to read."

It would not be easy to describe her mother's influence on her. Ever since her childhood, she spent many a winter evening listening to her mother telling her stories, such as Dumas' *Three Musketeers*, in French. During her adulthood, her admiration of her mother grew with her own experience in life. Although being a French woman living in a foreign country for half a century, her mother never complained. There was never the slightest hint of regret. Silently, she offered her life to her husband and her children.

He Luli never thought she was to follow in her father's footsteps into the political arena after practicing medicine for 27 years. In 1984, she was elected to be the deputy chief of Xicheng District of Beijing. She served with fear and trepidation. After graduating from Beijing

College of Medicine, she had never left her post as a physician. During the years of the cultural revolution, instead of putting down her stethoscope, she was sent to the mountain region of Mentougou to become a member of the rural medical corps. She adjusted to her new role quickly. Someone commented that she decidedly had political skills; perhaps inherited from her father.

The most outstanding thing about her is the fact that she never feels like an ornament. When persons of democratic factions participate in government, they are expected to behave like decorations. He Luli took her position seriously and she dared to express her opinions. During her campaign for deputy mayor of Beijing, she said: "During my term of 3 1/2 years as deputy chief of Xicheng District, I had duties, responsibility, and power."

#### Quickly Taking Up Her Role

Having had this training period, she assumed her role of deputy mayor soon after she was elected. At the time of her inauguration, the Type-A hepatitis epidemic was raging in Shanghai, casting a dark shadow over Beijing. With public health as her major responsibility, she was naturally extraordinarily busy and was practically visible everyday on television and in the newspapers. She walked to all streets and alleyways to inspect restaurants and other evening eating establishments and to make epidemic prevention arrangements for the residential areas.

The epidemic alarm has passed; perhaps she can relax a little now.

She still lives in Yongan Xili outside of Jianguomen, in the Chaoyang District of Beijing in a simple residence of 2 rooms, where she lived with her parents after her marriage 30 years ago. The narrow hallway is piled with odds and ends. She and her husband live in the inner room; her 2 sons in the outer room. Fortunately, the elder son attends college and is not home regularly; otherwise the outer room would be too crowded for anyone to turn around. There is an old fashioned bookcase with white paper pasted on its doors to take the place of the missing glass panels. "This was left by my parents. The glass was smashed to bits when the home was searched during the cultural revolution," she said. The remaining pieces of furniture are all very simple, having the look of being hastily and temporarily put together. It appeared that she neither had the time nor the skill to take care of household chores. She told the author high-spiritedly that she loves to eat and knows how to cook French style pork chops and fried-fish in cream sauce. Her husband is a internalist of Chinese traditional medicine of some repute. He began to learn to cook noodles when his wife started to participate in politics.

### A Strong Female Leader in a "Man's World"

Obviously different from the frequently exposed He Luli, the other female deputy mayor has adopted a policy of restraint. She seldom shows herself in ceremonial activities or social functions. The day after she assumed her work in municipal foreign trade, she demanded a complete list of names of staff members with ranks above the branch chiefs and began to look each person up to have a talk. With this year's reform of the foreign trade management system nationwide, the power has been delegated to the provincial, municipal, and local authorities, which are thus thrown into a tense competition for a share in the international market. Being the deputy mayor of Beijing in charge of foreign trade, one can imagine the pressure of her job. The city of Beijing has chosen to dump this responsibility, along with the job of the "industrial contingent" which is always known to be difficult by itself onto the shoulders of Wu Yi, a slender woman, less than 5'3" in height. It is obviously a grueling and burdensome position for her.

It is said that her name has long been included in the list of important inspectors. Before being elected as the deputy mayor, she was the CPC committee secretary of Yanshan Petrochemical Company, the only woman among the several hundred bureau chiefs of the China Petrochemical System. After her graduation from Beijing College of Petroleum in the early 60's, she served consecutively as a technician of Lanzhou Oil refinery, Chief of the Technology Department of Beijing Dongfanghong Refinery, its deputy plant chief, and its deputy chief engineer. In 1983 when she was serving as deputy manager of the General Petrochemical Company, she was loaned by the Party Rectification Committee to participate in the reorganization of the standing committee level in Hunan Province. This was her first involvement in politics. Eight months later, her intelligence and resourcefulness convinced the first and second leaders of Hunan Province that they should ask the Central organization to let Wu Yi stay in Hunan. During the 13th Party Congress in 1987 the leaders of Hunan Province were still not willing "to give her back." "It is difficult to be an official in the Capital; you would be better off in our Hunan," they tried to persuade her.

In 1986, the Organization Department of CPC proceeded with 5 reviews of Wu Yi; the so-called up and down processes. In Yanshan Petrochemical Company, almost everyone expected their secretary to be sent back down to this mountainous gully anytime. Even though they would rather not give her up, on the opinion surveys regarding her ability, the chiefs of the branches of the Yanshan Petrochemical Company kept checking "yes" in all the items such as industry, science and technology, culture and education, commerce, all the way to public safety, politics, and law; there was only one "no" in the item of agriculture. They said: "Who allowed her not to be able to distinguish between weeds and wheat to this day? Otherwise, she would be capable of managing agriculture as well."

### Elected an Alternate of the Central Committee in the 13th Party Congress

At the 13th Party Congress, she was elected as an alternate member of the Central Committee. It began to be the talk of the town that she was about to become either a deputy mayor or a municipal deputy secretary. Yanshan Petrochemical Company is in a remote gully far from Beijing. People in Beijing were not familiar with her name. A great deal of rumors started to spread. In reality, Wu Yi does not have an objectionable background. She came from a book-learning family. Her parents were both educated. Her home is in Wuhan City of Hubei Province. She grew up drinking the water from the Yangzi River. She is a typically romantic youth of the late 1950's. She loved to read novels of the Soviet Union. The book, *Far Away From Moscow*, inspired her to offer her life to the petroleum industry. Of course, there are indeed very few women with her courage and determination. For example, due to the mismanagement of the problem of recruiting workers, the farmers of the area surrounding Yanshan Petrochemical Company collectively proceeded with "self-rescue." They encircled the company's office in many layers. Wu Yi went out by herself to talk to them. Her feminine soft touch and her thoroughness in handling business acted as a magnet for her as a leader in a man's world with a power, imaginable but unexpressible in words.

### Sorrows and The Rate of Success of Single Women

The greatest sacrifice she had to give for her career is perhaps the fact that she remains single to this day. She does not have the look of a piece of dry bread like some old virgins do, neither does she act like some Amazon, caring only about career and knowing nothing about life. She is sentimental, lively, and open. The young persons at Yanshan are all proud of their female secretary because she is a good dancer socially. She serves as the chairman of the stamp-collection society, the photography association, and the fishermen's society. When she spoke of the fact she once caught about 9 fish, the pride and excitement broke out all over her face, making her look almost like a naughty child. Once she revealed that: "I am not a determined spinster but life has never provided me with an opportunity (to marry). I have never fallen in love. There has never been anyone capable of opening a window in my heart."

"What Liu Xiaoqing [0491 2556 1987] said is true." Wu Yi once stated regretfully: "It is difficult to be a single woman and it is even more difficult to be a relatively famous single woman." In a society full of remnants of feudalism such as China, all single women in the circles of motion pictures or politics must experience the fear of gossip. Sometimes rumors can be so vicious that one does not know whether to laugh or cry. Wu Yi seems to have become accustomed to this. Whenever there is a change in her job assignment, rumors always flare up. She said: "When a boat is floating in the sea of life all alone, it is important to be good at finding one's own

equilibrium psychologically and physically. Once that is found, other people can no longer shake you. I am rather stubborn. I want to be the master of my own life and cannot allow rumors to sway me. It would be very difficult for a single woman to sustain herself without this determination."

When she worked at the General Petrochemical Company, her office was her home. A bed was placed in one corner of the room. A calligraphy scroll on the wall stated: "Gazing at Heaven or Earth With a Clear Conscience." On the shelf, lined up the books she was reading, including Leaders, On the Brain, Before and After Gorbachev Left the Mountain, The Secret of Success, etc. After she became Deputy Mayor of Beijing, for now, her office is still her home. A screen is used to divide the room and a bed to serve as her place of rest is placed behind the screen.

#### "A Dark Horse" of China's Future Political Arena

In the West there is a saying: "Of all who succeed in their careers, single women have the first chance; the next are married men; the next are married women; single men have the least chance." This estimate of the success rate is very fitting when it is applied to Wu Yi. Keen observers in Beijing are saying: "Wu Yi has great potential. It is possible that she may become a dark horse of the political arena of China in the future.

6248

## NORTHEAST REGION

### Guo Dawei Reports on Liaoning Public Security Work

40050248c Shenyang LIAONING RIBAO in Chinese  
24 Mar 88 p 2

[Speech by Guo Dawei [6753 1129 4850], deputy director, Public Security Department, Liaoning Province, at the Second Session of the Seventh Liaoning Provincial People's Congress Standing Committee: "Effectively Strengthen Public Security Administration; Promote Comprehensive Preventive Measures"]

[Excerpt] On 15 March, Guo Dawei, deputy director of the Liaoning Provincial Public Security Department gave a report at the Second Session of the Seventh Liaoning Provincial People's Congress Standing Committee on the subject of public security conditions throughout Liaoning Province and views on work to be done.

He said, according to the unified dispositions of the central authorities, Liaoning Province, since autumn 1983, has for over 3 years engaged in a stern fight against serious crimes and has been able to effect a turn in the abnormal conditions in matters of public security in Liaoning Province. Although disturbances of public

security occurred in some areas and fields, it was essentially possible to control all such occurrences. At times of major holiday celebrations and meetings, public security conditions throughout the urban and rural areas of the province have been very good. However, there still exist some major public security problems. One is the continuously rising incidence of serious crimes, conspicuous property crimes of theft, robbery, and fraud, which have been numerous and expanding in the range of such crimes. Another problem is the frequency of such public security problems as disturbances and petty thefts by hooligans, trespassing and break-ins, thefts of bicycles, etc. After the period of the "strict crackdown," the hooligans, who had been restrained for a time, again caused disturbances. Some of them banded together and, armed with weapons, provoked fights and stirred up trouble in parks, dance halls, movie theaters, in busses, and in other places, waylaid and molested women, secretly stole or openly robbed, even went so far as to injure people. Repeated prohibitions did not stop certain contemptible phenomena; there is an increase in cases of prostitution and operation of brothels, and sexual diseases are on the increase. In January and February of this year, certain localities have been seriously plagued by public security problems, and there has been a large increases in criminal cases and in serious cases throughout the province compared with the same period last year. Particularly prominent among these cases were serious property crimes of theft, robbery, and fraud. There has also been a continuous occurrence of such hideous crimes as murder and injury of on-duty public security cadres and policemen, armed robberies, robberies with the use of cars, and group rape. In some areas, law violations such as gambling, gang fights, disturbances and petty theft by hooligans are rife, and people cannot feel secure anymore.

When we analyze the reasons for the occurrence of the above-mentioned crimes, he said, and looking at it from our professional perspective, we have to earnestly ponder certain particular problems. First, although we emphasize that we persist in a policy of sternly combating serious crimes, and shall maintain the momentum of fighting serious crimes, some public security problems are due to the inadequate way in which crimes are reported and an insufficient coordination with relevant administrative and judicial departments. In executing our policy of severe and prompt punishment for serious criminals, there are also some problems which are not yet fully resolved. Second, according to the ideology that guided us in our work, we gave primary attention to the prevention of severe and particularly hideous cases from occurring, and primarily exposed security cases of an important nature, but we did not take sufficiently effective action in cases of petty theft, break-ins, theft of bicycles, i.e. criminal cases that directly affect the masses in their sense of security, being limited in our work by the shortage of personnel and finances. Third, in cases of petty theft, due to imperfections in the legal provisions and inadequate coordination in the implementation of law, criminals are let off too lightly, and their repeated

arrests and repeated releases are just one continuous vicious circle. Besides, the society's overall administrative regulatory work is not being implemented. The principle of "those in charge are also responsible" is not truly implemented, and no prevention and control mechanism has really been set up for all of society.

9808

**Appointments to the Liaoning Provincial People's Government**

Cui Yukun [1508 3768 2492]  
Zhu Jiazheng [2612 1367 3914]  
Ji Zhong [4764 0022]  
Wen Yuchao [3306 3768 6389]  
Dong Xu [5516 2485]  
Na Xinmin [6719 2450 3046]  
Zou Xiangqun [6760 0686 5028]  
Zhang Benbo [1728 2609 0514]  
Guo Gan [2654 2413]  
Sun Guoming [1327 0948 2494]  
Zheng Hua [6774 5478]  
Wang Dajun [3769 1129 6511]  
Zeng Xiantao [2582 2009 7290]  
Wang Zerun [3769 3419 3387]  
Han Zhishun [7281 1807 7311]  
Xia Weiliang [1115 3262 5328]  
Lian Chengzhi [6647 2110 2535]  
Gao Chenghe [7559 2110 0735]  
Dong Yantao [5516 4291 3447]  
Yuan Xueshan [5913 1331 0810]  
Li Baosen [2621 1405 2773]  
Wang Chunshan [3769 4783 1472]  
Fang Guoda [2075 2654 1129]  
Jin Yanan [6855 3508 1626]  
Wang Zimin [3769 3320 3046]  
Yang Kuifu [2799 7608 1318]  
Li Xiaosheng [2621 1321 3932]  
Li Xishun [2621 1585 5293]

Secretary General  
Chairman, Economic Planning Commission (concurrent)  
Chairman, Science and Technology Commission  
Director, Judicial Department  
Director, Labor Bureau  
Chairman, Nationality Affairs Commission  
Director, Price Bureau  
Director, Statistics Bureau  
Director, People's Air Defense Office  
Chief procurator, Procuratorate  
Director, Forestry Department  
Director, Township and Town Enterprises Control Bureau  
Director, Materials Supply Bureau  
Director, Metallurgical Industry Department  
Director, Light Industry Department  
Director, Textile Industry Department  
Director, Communications Department  
Director, Finance Department  
Director, Commercial Department  
Director, Grain Bureau  
Director, Industrial and Commercial Administration Bureau  
Chairman, Education Commission  
Director, Culture Department  
Director, News and Publications Bureau  
Director, Public Health Department  
Chairman, Family Planning Commission  
Chairman, Physical Culture and Sports Commission  
Director, Foreign Affairs Office

9808

**Difficulties of Rural Cadres**  
40050248b Shenyang LIAONING RIBAO in Chinese  
1 Feb 88 p 2

[Article by Chen Fenglai [7115 7364 0171]: "Brief Heart-to-Heart Revelation of the Difficulties of Cadres in Rural Areas"]

[Excerpts] "A village cadre is troubled by three things: frequent changes of policy, providing entertainment with food and drink, and collecting the contract retaining fee." Opening up from the bottom of his heart, a village cadre told this reporter the following:

First, frequent changes in specific policies have us "speechless and spineless." For instance, whenever production of agricultural and sideline products is plentiful, our higher authority propounds market regulation, and tells us such things as "if pigs are plenty, don't bother the mayor, but find your own market," or "if vegetables are plenty, don't bother the government, do a good job of marketing yourself." At such times, the village cadre is all day long mobilizing the peasants to find markets, and will, furthermore, publicly give an assurance that the government henceforth will not institute assigned procurements. However, hardly is this spoken, with the words still ringing in one's ears, that following a decline in pig production, one order after the other is received to carry out assigned procurements. The peasants will then

endlessly pour out their grievances and will angrily take the village cadres to task: Does it really matter what you people say? The village cadres get tongue-tied and have no answer. They are really like the proverbial dumb person who eats the bitter huanglian plant: silent sufferers.

Second, hospitality with food and drink, the difficulties of having to entertain. In some villages, almost every day someone, high or low, from every direction of the compass, visits the village on official business, and the cadres will always busy themselves to put their best foot forward in entertaining at home or outside the home. Most disconcerting, they feel, is when higher authority determine: Everything done for the purpose of invigorating the economy is permissible entertainment, but all other entertainment is engaging in unhealthy practices. This distinction is difficult to draw in actual practice. All who come to the village are somehow connected with economic activities. Nobody can afford to offend anyone, even departments not thus connected, if headed by a tough boss and it will then just not do to evade hospitality. So they have to force themselves against their own will to entertain, while also fearing that at some later date their action will be checked and declared an unhealthy practice, for which they may be criticized

and disciplined. They say this business of entertaining with food and drink should either be forbidden outright or left to go on and be disregarded. As it is now—sometimes controlled and sometimes not controlled—makes it impossible for the basic-level cadres to find a way that will be satisfactory in both these circumstances.

Third, the collection of the contract retaining fee, which is like asking for a "tip." For expenses that have to be borne by the peasants, higher authority has decreed that none must be deducted directly at the time of grain procurements, but that the peasants must be mobilized to "turn it in on their own initiative." However, "as soon as money is in the hand, it is immediately swallowed by the mouth." Who will still come forward voluntarily to turn in any money? There is no other way for the village cadre but to humbly call on the households one by one to ask for it, and do so again and again. They will run their feet sore and wear their lips thin, frequently put off again and again, and never hearing even one good word. Some village cadres say, one year has 365 days, of which we use one-third to collect the contract retaining fee; we have alienated the peasants of the entire village, but have befriended the dogs of every household in the place.

9808

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